THE MAGAZINE OF WALL STREET

NOVEMBER 29, 1930

An Unadorned Picture of the Market

By A. T. MILLER

Again the Russian Bear "Walks Like a Man"

By THEODORE M. KNAPPEN

What Yields Are Safe Yields?

Selections by
The Magazine of Wall Street Staff

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THE MAGAZINE OF WALL STREET

A. B. C.

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WITH THE EDITORS

When to Buy

THOROUGH liquidation of a large number of issues in the stock market and the attendant attractive yields—yields, indeed, which have not been seen for three and four years and more—are naturally arousing many investors, who have wisely stood on the side lines in recent months to consider re-entry into the market in search of investment plums. There is a time, however, when precipitate haste may prove unnecessarily costly.

Of course in every market there are always those exceptions which defy generalization. Currently for example there are certain few issues which have been so drastically liquidated as to make further declines inconceivable and they have resisted the more general downswings of early November. In similar fashion there will be found those stocks which have not been completely deflated even after the rest of the market has recorded a broad advance. But viewing the list in its broadest aspects it will prove safest in the long run to adhere to a policy of making certain of the trend before extensive commitment.

Everyone, of course would like to buy at the bottom. Practically speaking, nobody will. The actual bottom is a transitory point at which the supply of stock would be inadequate to meet any semblance of concerted demand. Now if we admit the futility of catching the lowest point in the price cycle then obviously it is better to enter the market after the turn than before. The investor who buys in anticipation of a bottom, when stocks are still descending or at least have not demonstrated that they have spent their downward force, may well find that the end of the decline was substantially below where he expected; whereas if he withholds his entry until the uptrend is firmly established he assures himself of the maximum degree of protection under the circumstances.

Furthermore there is little to justify any scramble for stocks. Business conditions even if improving, can hardly be expected to recover over night; and although the market will doubtless anticipate real betterment, it is fatuous to believe that the rate of upturn in security prices will be marked by any disproportionately accelerated rate of advance. Moreover as the market definitely changes its trend and starts upward its course will certainly not be uniformly in that direction, but rather marked by rises followed by reactions which in themselves will afford ample opportunities to purchase at desirable levels.

The thing to watch for in coming weeks is increasing and sustained activity in the periods when the price tendency is clearly upward. Recent weeks have demonstrated the dangers in markets that go dead on rallies, and it will unquestionably prove to be most profitable to wait until substantial buying on the up side is clearly manifested.

Such a procedure inevitably means that a premium is paid for safety. Stocks, in other words will be purchased several points up from the lows, but the more secure position so attained is easily worth the sacrifice and ultimately will be more than compensated.

In the Next Issue

THE next number of THE MAGAZINE OF WALL STREET will be our Christmas issue. It will be unusual in many respects; not only in commemoration of the holiday season which it ushers in, but in view of the extraordinary conditions in business and investment which surround the last month of this year. The closing phases of one of the most severe depressions of modern times are at hand and new opportunities in business and investment will soon be manifest. In this connection the authoritative and helpful articles in this coming issue will prove exceptionally valuable.

In addition we also present at this time a feature which may well serve as the foundation for unusual profit and income in the months to come, our

Annual Reinvestment Guide

With Specific Selections and Investment Plans, including Bonds, Preferred and Common Stocks.

Investment and Business Trend

Intelligent Relief May Be a Cure—The Tariff Is Not Guilty—Salutary Capital Adjustments —Foreign Acceptances — Legge's Gamble

INTELLIGENT RELIEF MAY BE A CURE

THE most distinctive feature of the supreme effort now being made to offset the ills of unemployment is the intelligent effort to create employment. Widespread unemployment is an indictment of our economic organization. Charity is merely a palliative. The effort to restore employment is indicative of a general disposition to repair the weakness in our economic structure that unemployment confesses. It promises a measure of improvement in the present conjuncture and holds out hope for preventive measures in the future. It is not inconceivable that the campaign to persuade employers to put men back at work may have a tonic effect on the apathy and defeatism that are admittedly contributing if they are not, as some contend, the main causes of lagging business. Unemployment not only reduces the number of potential consumers of products but it casts a pail of fear over the employed. The man with a job, hoards for fear he may be the next to join the army of the jobless. But when he sees his employers pledging themselves to add men, if only a few, to the payroll he takes it as insurance of his job, escapes from the fear complex and ceases to stint himself. With more men at work and more product the employer turns from passivity to activity. More buying is met with more production, and presently it may be found that a benevolence that takes the form of work instead of charity may be an important contributor to the re-establishment of the normal processes of trade. An effort intended to tide over the depression may be a powerful factor in hastening its passing.

THE TARIFF IS NOT GUILTY

SAYS Thomas W. Lamont: "It would be easy to magnify the ill results of the new American tariffs. We cannot classify them as controlling factors in our present depression. But there can be little dispute that we chose a most inopportune time for this particular tariff enactment." Most tariff students will agree with Mr. Lamont's third sentence. Almost any kind or degree of tariff legislation in 1930 was ill-advised, because it was certain to be, temporarily at least, disturbing, unsettling and restrictive of business—at a time when business was already worried, hesitant and fearful. It is, however, gratifying to hear a man of Mr. Lamont's international interest and

broad outlook declare that the tariff is not a controlling factor in the depression. We have enough to worry about without having to harbor a consciousness that we legislated the depression. On the other hand those who consider that higher tariffs are always beneficial will be reassured by Senator Smoot's refusal to concede that the new tariff law was even inopportune. Indeed, he stoutly maintains that it was most happily opportune. About the only general agreement ever reached in regard to the protective tariff is that it does affect business, but concerning which way we have violently differed for the last 110 years, and both sides have fortified their positions from the same facts and statistics. At the moment, fortunately, there is a general disposition to agree that tariff legislation is one of those contentious things that had better be ignored. The country has adjusted itself to the present tariff. If it was inopportune, so would be another revision now.

SALUTARY CAPITAL ADJUSTMENTS

THE use of no-par value for common shares has become sufficiently universal to reduce the element of capital liability to the status of a mere ledger item. With the investors' sense of observation somewhat obscured concerning the relation between capital shares and other items on the financial statements of our large corporations, it became common practice to adjust capital to open market values rather than to asset values. Growth of corporate earnings, during the past few years, kept a more or less even pace with growth of capitalization. Stock split-ups, stock dividends and "privileges" for the acquisition of new treasury stock, however, imply sustained earning power —a factor that is rather conspicuously absent during the current period of industrial recession. Will the process now be reversed? Will stock liability now be marked down to correspond to former relations with book values and the "new" levels of corporate earnings? Will the yardstick of open market security prices—one that has shrunk tremendously during the past twelve months—be used to measure the "stated values" of common stocks? Some of the investment trusts and a few other corporations have already taken steps to revamp their capital structure to harmonize with the lower value of assets and decreased earnings. Market considerations—elimination of a burdensome floating supply—may influence further actions in this direction. Stock dividends may be conspicuous by virtue of their rarity in months to come, while new split-ups should not only be infrequent but in many cases those formerly effected may actually go into reverse with a reduction of the number of shares outstanding.

INFLATION AND THE VOLUME OF ACCEPTANCES

THE volume of acceptances created for the purpose of financing goods stored abroad or shipped between foreign countries increased to $501,614,532 around the first of September, and by the first of October was still at the high level of $498,544,843. High though these figures appear upon preliminary examination, the fact that a year ago the total was only $346,589,404, making recent levels over 40% higher than in 1929—all in the face of a 25% decline meanwhile in our foreign export trade when compared with a year ago—gives them even greater import. Acceptances, by their very nature, are generally supposed to be self-liquidating instruments. What would happen if these half billion dollars' worth of foreign acceptances currently held were sold—or if the Federal Reserve System were merely to refrain from buying new bills and let the present acceptances outstanding automatically expire when due? For one thing, money rates might be expected to rise with the resulting constriction in available credit, so adding one more burden to an already overloaded business and stock market structure. While we look for no such change in Federal Reserve policies in the near future, yet it is clear that some elements of danger are present in the current acceptance situation—elements which are more or less hidden by existing easy money conditions. True, the acceptance market of today reflects a tendency for financing to move away from London and a disinterested British bill market, and toward New York's relatively low rates; and also, we must concede some annual growth in the popularity of the acceptance as an instrument of exchange. But whatever the underlying cause, or combination of contributing causes, the tendency demonstrated in 1930 for foreign acceptance totals to remain high in a year when our foreign trade has slumped sharply merits careful scrutiny—particularly in the months immediately ahead. A downward trend in foreign acceptance volume appears long overdue.

LEGGE'S GAMBLE

THE United States, says Alex. Legge, has fed so much wheat to hogs and cattle and sent so much abroad that it now has left only barely enough for home consumption. He backs his belief with the bottomless treasury of the United States Government, and becomes the greatest gambler in wheat since Julius Barnes, as U. S. Wheat Director in 1919-20, played with a billion bushels and won. The duty on wheat is 42 cents a bushel. Not a bushel can now leap that barrier. If Mr. Legge is right, the hundred million bushels or more of wheat that the Farm Board has or will have will enable him to become the wheat dictator of the United States, within the 42-cent margin. If the world price is 60 cents, Legge will be able to collect up to $1.02 when the showdown comes. It's a dramatic gamble with all the world looking on as Legge holds the 73-cent line in the Chicago wheat pit; his unlimited army of government dollars gallantly buying off the opposing millions of wheat bushels.

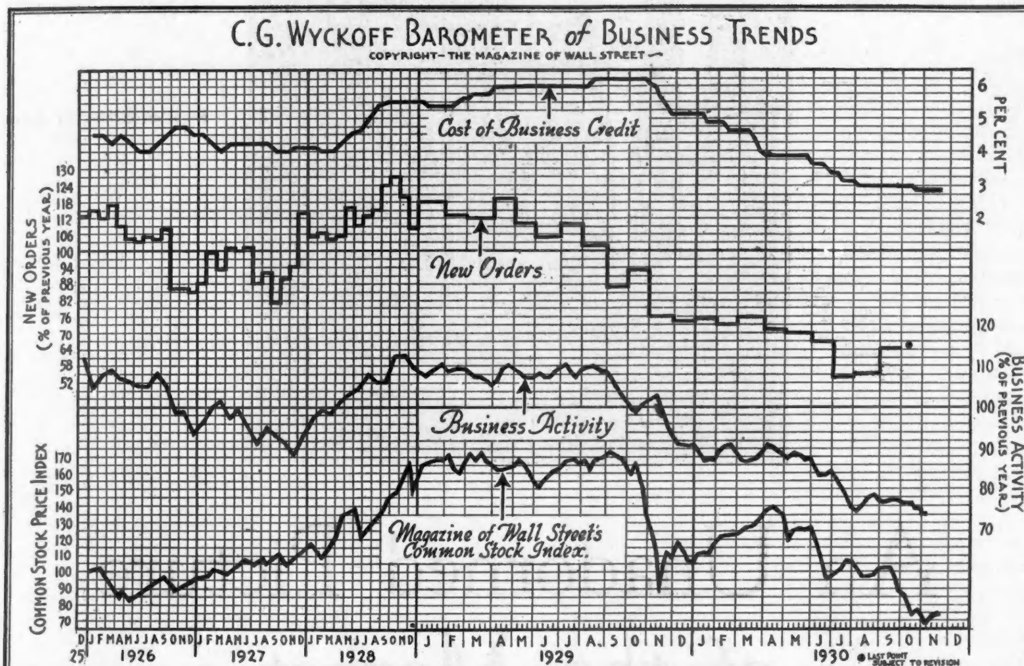
THE MARKET PROSPECT

THE current and prospective trend of the stock market is fully discussed in the article beginning on page 142.

Monday, November 24, 1930.

Taking the Pulse of Business

Indications Point to Possible Improvement in General Trend in Closing Weeks of 1930



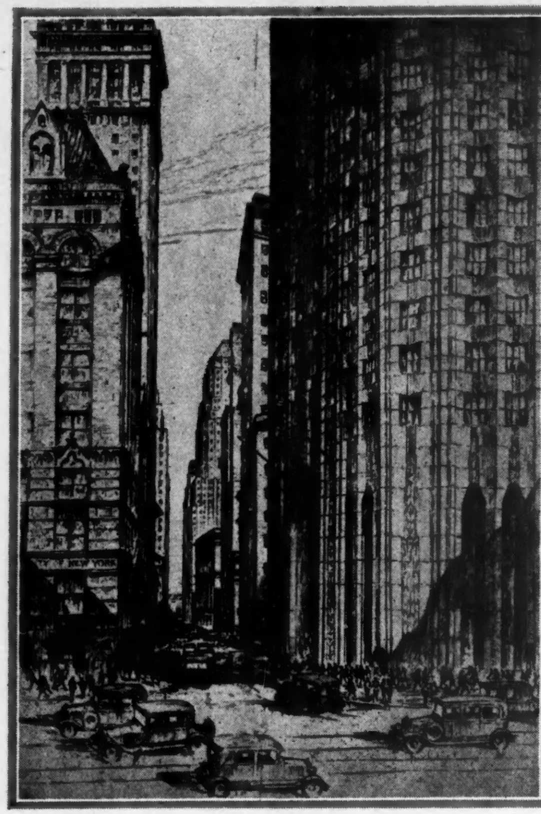
NO prominent changes appear in the component curves of the barometer, but there are justifiable grounds for believing that the low point in the business cycle is close at hand. Reports during the past fortnight give some signs of a check in the recessionary forces which were still strongly operative very recently.

It will be observed that the Cost of Business Credit is at the lowest point in years, and will probably remain relatively low for some months to come. This points to an ample supply of credit to finance a rise in business activity and in security prices.

While it is possible that complete returns may show some decline in New Orders for the next point, it will not be of sufficient proportions to carry the index down to its July low, and preliminary indications point to sizable advances as the year closes. July will thus stand as the lowest point on the New Orders index, giving added significance to the ensuing consistent rise, as suggestive of later improvement in business activity. That such an upturn has not taken place earlier is due, it develops from information recently received, to the fact that a major portion of the sharp increase in New Orders during September was for goods to be delivered next year, and will thus not exert its full effect upon plant operations for several months to come.

Our index of Business Activity touched 74 during the week ended November 8, which is fractionally lower than the previous low reached during the closing week of July. Incomplete returns now at hand point, however, to a rise in the Business Activity curve in the period ahead. If such a gain reflects more than a seasonal advance, the critical point may be recorded already or in the next position to be shown on the graph.

Perhaps in anticipation of such a turn, the market has revealed a more hopeful sentiment in making at least a temporary bottom and rallying therefrom. However, it is significant to note increasing hesitation as the uptrend continued and a more definite signal must be awaited before taking too favorable a near term view of the business future.



The Gateway to Wall Street

From an etching by Anton Schutz

An Unadorned Picture of the Market

Strength and Weakness in Recent Trend—Conservatism Counselled

By A. T. Miller

SHOULD one follow a stock market rise that is predicated partly on a technical correction of an oversold market and partly on the stabilization of two key commodities, both stabilized by artificial methods? This is the question that faces investors. Ordinarily the problem could be relegated to the general fate of interesting, though unimportant questions. In this instance, however, there is just enough prospect for at least a nearby stiffening in the *esprit de corps* of business generally to suggest that what now appears to be a market maneuver may ultimately turn into a change in trend. This makes the question of more than academic interest.

The setting for the rise, particularly in its initial stages was quite different than the market situation that many had anticipated for the "real" turn of the bear market. The November 10th low point on the averages was established without any extraordinary heavy volume of transactions. There was no marked "climax" of liquidation just preceding the rally, although a quarter of a billion dollar reduction in brokers' loans was reported in the latter part of the week, after the rally had gotten fairly well under way. There were many indications of the fact that the market had reached or was reaching a badly over-sold condition. Pessimism and gloom were the order of the day. Rumors of disaster in various quarters, flew thick and fast. Public traders, literally frightened away from the long position took to the short side largely as a defensive measure. But the long overdue rally came about quite casually and without flying any of the signals that were eagerly look for to mark the "end."

By a striking coincidence, the rally started within a day or two of the anniversary of the 1929 "bottom"—a coincidence so striking in fact that the market's cynics were very prompt to set the whole affair down as a neat piece of manipulative timing. In the most correct manner, however, the move extended itself some ten points in the aver-

ages over a period of five days of practically uninterrupted advance in prices. Day to day traders on the short side who found themselves faced with heavy bidding for stocks were inclined to cover, a factor that undoubtedly contributed to the demand. A still potent army of "die hard" shorts is reported to exist, keeping all stocks loaning "flat" with a scattering of day to day premiums. Undoubtedly a great many of these traders, involved in the day to day loaning transactions are still waiting for the "climax" of the decline.

In the meantime, the market has taken a breathing spell, in which both its strength and its weakness are about equally unimpressive. The market itself gives no definite clue therefore concerning its disposition for future movements of prices. The recovery may be accounted for largely on technical factors favorable for such a movement. Its character, on the other hand, suggests the possibility of a change in trend, at least for the more or less immediate future,—if no more than a change from continuous liquidation to the sort of irregularity that comes from alternative strength and weakness.

Two Artificial Situations

Aside from its over-sold condition, the stock market had two important developments on hand at the inception of its November rally. Both of these developments were of the "hand made" variety. One was the increase in copper prices, which was immediately heralded in many quarters as a forerunner of stabilization in commodity prices. The bulge on the demand side of the copper market, however, was stimulated almost entirely by the agreement of the leading world producers, in conference, to curtail their copper output in order to relieve the industry of burdensome supplies hanging over the markets. The fact that such an agreement was taken as a buying signal by consumers of the metal who had postponed commitments because of the steady decline in prices, brought the latent demand into prominent view. The constructive interest in the stock market apparently preferred to believe that this also illustrated the possibilities of stabilization in other commodities. There is a well recognized habit of consumers to under-buy in the final stages of an industrial depression, thus building up a back-log of unfilled requirements for raw materials. This is the equivalent of having important users of raw materials "short" of their own market.

The other stabilization project was the "pegging" of domestic wheat prices in the Chicago grain market, by the Farm Board. It was a move, however, with a similar taint of "conference stability." In addition, it extends the Farm Board's commitments to a scale that beclouds the long range prospect for improvement in grain prices. What the Farm Board buys today it must sell at some time in the future—more than 100 million bushels in all. By pegging wheat prices, these officials decided that the American farmer would give up his foreign markets for the time being at least and take his chances on world growing conditions next year. Many inferences may be drawn (and are being drawn) from such dramatic steps in farm relief. These range all the way from the extreme viewpoint that the step was imperative in order to save the farmer and his banker from immediate financial peril to the other extreme that the action is justified by fundamental conditions in the grain market. In any event, the development undoubtedly exercised a strong influence over the stock market.

Technical Strength

Ordinarily, such a base for a market movement would be regarded with considerable suspicion. In fact the decline in brokers' borrowings in the face of an upward movement of prices, indicated that the rally was used to lighten long accounts. The ability of the market to absorb such liquidation suggests, however, that the rally was not by any means predicated on external stimuli. Perhaps, the wheat and copper incidents served as the sparks which set off the powder, but the real force of the movement seems to have been inherent in the technical position of the market itself. Whatever apprehension one may feel toward the artificialities in this situation, it might be well to consider first, the artificial influences within the market rather than the more obvious and more conspicuous external ones.

For example, it would be well to recognize that we are in the midst of one those "blind spots" which in the past have proven to be opportune periods for a change in price tendencies on the stock exchange. By this time, most of the reports of third quarter operations have been made public and have been generously discounted. Statistically, business trends have become more or less static, which encourages the hope, and perhaps proves the point, that the swing of industrial depression has reached its widest amplitude.

The public is inclined to discredit optimistic utterances, largely because such opinions, in the humble opinion of the average man or woman, seem to have been consistently incorrect in the past. But at the same time, the public at large has attained that admirable measure of wisdom, where it realizes that it is "in the dark" as to the actual and immediate tendencies in business and industry.

> ***"With full recognition of the imminent possibility of a professionally inspired rise in stock prices, the character of such an advance, particularly in its early experimental stages, is such that the bars on indiscriminate stock purchases should not be let down at present. In recent advices we have suggested the sound investment possibilities in favorably situated issues, without attempting to indulge in any sort of guess at the final 'bottom' of the decline, and see no reason to alter this view at present."***

Sooner or later, some member of the ever-growing army of optimists must prove to be the true prophet. And sooner or later, the stock market must prove to be an accurate barometer of better industrial conditions ahead. In the meantime, the public temper is such that both the market and the prophecies are taken with a generous grain of salt — but the growing conviction that "no one knows" furnishes an ideal setting for some artful stock market maneuvering.

If the writer were asked to prepare a list of the bull points of the current market situation, he would place at the top of the list, the fact that the setting is more favorable right here for an engineered rise than for natural advance of stock prices. For, we can set down as an axiom, that the turn of the market invariably is achieved by the buying of insiders—not by a public demand for stocks. If the highly professional rise in November is not fated to be "the turn," then another,

equally professional movement of stocks will be the turn at some later date. The proper setting for a highly professional movement, therefore, offers more tangible prospect for a reversal of the downward trend than would a setting favorable for public participation. The most conspicuous role of the public in this current phase of the market is the more or less involuntary liquidation of stock holdings. And there are indications that even this will become a less prominent factor. For one thing, so much bad news has already come out that both the investor and the trader have become sufficiently well inured to bad news to be able to stand a little more of it. And, of course, weak holders have been shaken out in larger numbers, notwithstanding the failure of the much anticipated "climax day" to materialize.

Other factors which we would list among the summary of bull points on the present market would include that fact that earnings statements will be largely out of the way for a month or so.

A rise of stock prices, no matter how obviously sponsored by insiders, would have far better effect on the psychology of business than optimistic opinions—and trade badly needs some such stimulus as we approach the holiday season. Money for stock purposes is cheap and the borrowing of dealers at a low ebb. A certain amount of trade improvement after the turn of the year and in the early spring is to be expected, irrespective of whether or not the end of the depression has been seen. The continuous liquidation of weakly held stocks during the September-October-November decline placed the market in a strong technical position—one that is by no means dissipated by a week or so of advancing prices.

All this is an open invitation to the constructive interests in the stock market, if one be permitted to indulge in a sophisticated view of the matter. And from the same viewpoint, one might say that the soundness of a market advance at this point is far less important a consideration than it will be if the attempt to rally the market is successful.

For when we turn to considerations of fundamental conditions we are apt to find far less upon which to feed our hope. International trade depression; unsettled political conditions throughout the world; overproduction and overcapacity; sluggish home and foreign markets; agricultural depression and low prices for farm products; unemployment in industrial centers; retrenchment by producers and distributers—all these are the principal factors that have cut into corporate earning power and in turn undermined stock values. There is little yet to suggest any great changes for the better among these factors.

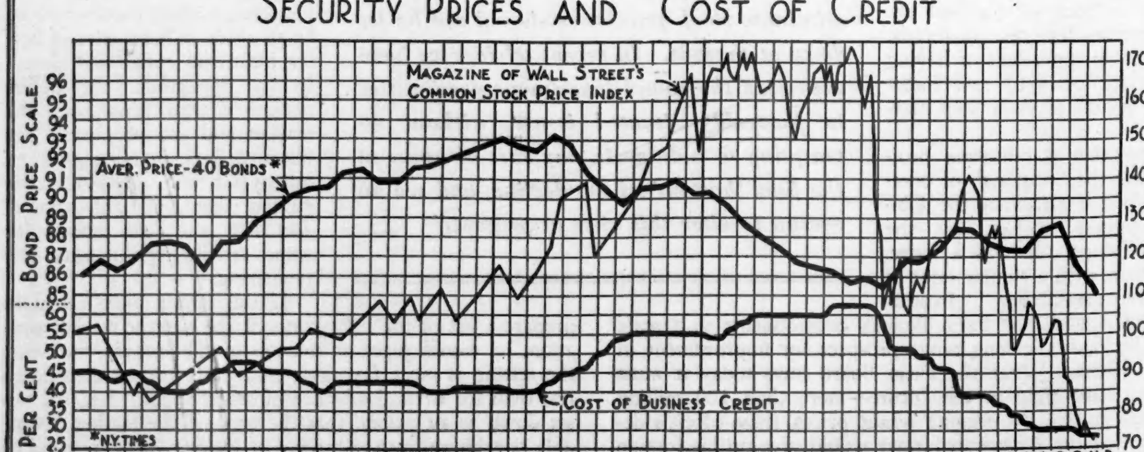
An Unjustified Spread

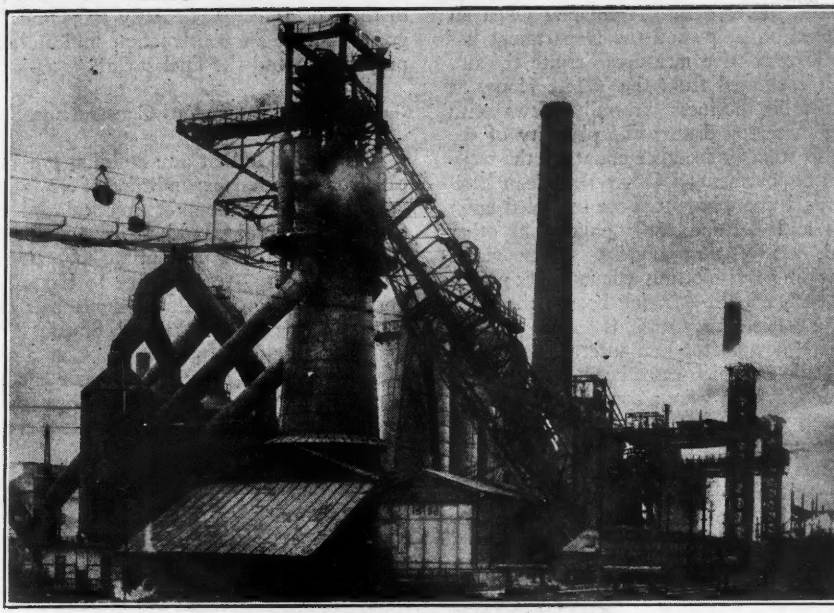
There is no question that unsettlement in the securities markets has been carried to excess in individual instances. There is little justification, for instance, for the spread which exists between long term investment mediums—principally bonds, as far as we are concerned here—and short term interest rates. Bonds should be first to respond to any stability of business, if for no other reason than that they are undervalued in terms of interest rates and the "real" value of dollar assets.

At the moment, they are suffering from the unsettlement in the markets for junior securities. They have not recovered from the blow to their prestige received during the seven-year advance of common stock prices. But the prospects of a sustained and favorable long range market value for fixed income issues is based on sound fundamentals and should warrant the attention of the cautious investor.

With full recognition of the imminent possibility of a professionally inspired rise in stock prices, the character of such an advance, particularly in its early experimental stages, is such that the bars on indiscriminate stock purchases should not be let down at present. In recent advices we have suggested the sound investment possibilities in favorably situated issues, without attempting to indulge in any sort of a guess at the final "bottom" of the decline and see no reason to alter this view at present. Unsettled market conditions have made it advisable to confine commitments to the safer types of common stock and to limit buying to investment purposes. Although a good many issues not particularly suitable for investment have participated in the recent rally, we continue to favor the more conservative policy of buying stocks only on a basis that is favorable for investment.

Low income producing stocks, for example, still commanding a definite price premium but paying meager cash dividends in relation to price, do not meet the requirements of the conservative investor. And with no assured prospects of success in the efforts to build up a rally of sufficient duration to "turn" the market, we continue to favor issues which can be acquired on a basis of sound investment merit at this stage of the market.





It Looks Like Capitalism, But It Isn't

Again the Russian Bear "Walks Like a Man"

While All the World Wonders What Will Happen When He Drops to All Fours

By Theodore M. Knappen

KIPLING'S phrase: "The bear that walks like a man," comes to mind when Soviet Russia is contemplated. In Kipling's prime it was the manlike bear of the Czars that threatened British supremacy in the Orient, always looking hungrily at India. Now, the whole world seems to be included in the hungry purview of the bear of the Soviet Republic. Everywhere the bear arouses sinister apprehensions, even when he comes walking like a man with great sheaves of orders for foreign goods in his shaggy paws, payable on delivery. The world views the orders with greedy eyes, accepts them, solicits, plots and intrigues for more, and yet has portentous misgivings. Is it only fattening and strengthening the bear for the day when he will drop on all fours and devour horridly where he once bought suavely?

America, greatest of the nations, forefront of the capitalistic economic system, profits more today from Russian foreign trade than any other nation. Russia has become the principal outlet for American machinery, and the Russian market is the only important one that is taking more goods from America in the depressed year of 1930 than it did in 1929. According to Soviet trade authorities the total of orders placed in America by the Soviet government through its trade organizations was not less than $150,000,000 in the fiscal year ended September 30, to say nothing of huge fees for technical assistance and supervision. Imports from Russia were only $31,000,000.

So appetizing is this business that it is becoming a colossal crowbar for the prying of American official recognition of the Soviet government out of the reluctant Hoover government. The crowbar was once applied most gently but now it is becoming something of a bludgeon. The Amtorg, the chief Russian trade instrumentality in the United States now openly, as the occasion arises, intimates, if it does not threaten, the United States with the loss of its patronage unless "normal relations" with Russia are restored.

It is small wonder that American firms which have fattened on Russian orders are apprehensive over the new proposal of the Treasury Department, disclosed as recently as November 22, to ban all Soviet goods coming into this country by means of requirements which Russian ex-

Note—Photographic illustrations are from "U. S. S. R. In Construction."

porters could not meet. Ever since last summer when an embargo was attempted on pulpwood the Department has been at work on new restrictive measures despite the unofficial rebuke which emanated from the White House at that time. American big business naturally views with displeasure anything that may disturb the placidity of the Bear and cause him to transfer to other countries the satisfaction of his ursine requirements. Other American business interests, however, those whose toes are trampled upon by Russian imports and Russian trade policies in other parts of the world, are buzzing angrily. They vision Russian political scheming and plotting, communistic propaganda now and revolution later, as rising behind the trade front. The trade front, itself, they urge, is serious enough, because it introduces a new factor into international commerce, a species of trade in which price bears no necessary relation to costs and may be a minor consideration in the organization of collectivist economy.

The immediate cause of both the pro- and anti-Russian tendencies in bourgeois countries—as the Bolshevists delight to dub them—throughout the world is the tremendous five-year industrialization program of the Soviets. This program calls for the expenditure of 33 billion dollars by the end of the fiscal year 1933—to say nothing of nine or ten billions more of non-industrial—"cultural"—investments of capital. This is undoubtedly the most ambitious developmental program ever undertaken, and if it succeeds will eclipse any previous industrial advance ever made in such a period. The object of the program is to make Russia substantially a self-contained nation, with manufacturing overtopping agriculture, and with an abundance of consumers' goods replacing the present scarcity.

Russian Farming—As It Was And Is

In the long run no socialistic government can persist in a capitalistic world unless it can feed, clothe, educate and amuse its people as well as other nations do. Fanatical enthusiasm for a cause may endure a surprisingly long time, but eventually any movement of social change will, like Napoleon's army, find that it must advance on its belly. Twelve years have elapsed since the Bolshevist revolution triumphed. The Russian people have been remarkably patient with the unique experiment that has been tried on them, but there are limits even to Russian patience. So, a program of development that would necessarily have required a very long time under an individualistic economic regime is being driven through in Russia with feverish haste, according to an elaborate and carefully worked out plan—a plan that could not even have been dreamed of, much less applied, in any but a despotic regime, in which the state and the national economy are one and the same.

This article is not immediately concerned with the political results of the fate of this huge enterprise, which commands the admiration of the world for its scale and its audacity. It is concerned with the economic consequences to the world and particularly the United States of such a great venture in construction and industry, both in the preparatory and the final stage.

A Stupendous Construction Program

It is inevitable that any building program anywhere that calls for a capital expenditure of 42 billion dollars in five years must be of the most practical and substantial interest to the industrialists and traders of those foreign nations whose voluminous contributions of materials, machines and technical ability are necessary to the success of the work. Forty-two billion dollars is about half of the annual national income of the United States, it is about half of the entire national wealth of such a nation as France. Manifestly, considering what a poor and backward country Russia is, or was, such a tremendous expenditure of funds in capital improvements must create a capacious market for the already industrialized nations, notwithstanding every effort to have the new industrialization home-made.

Viewing the whole of Russia as a going business it is proposed to raise the value of the plant by about 33 billion dollars, the operating capital by 20 billions, the annual capital investment by 20 billions and almost double the national income by raising it to 25 billions. The prime moving power of the country is to be quadrupled in the five years, manufacturing output is to be more than doubled, capital investments in agriculture are to be increased 50 per cent and agricultural output 55 per cent. The railways are to be greatly extended, with their traffic doubled. Construction is to be pushed up from less than 2 billion dollars in 1927-28 to more than 6 billion dollars in 1932-33. In this period the cost of living is to be decreased about 14 per cent and the cost of construction about 41 per cent.

Russia Electrified and Industrialized

The output of electric power is to be raised to 22 billion kilowatt hours—eleven times the production of 1913. Originally, the output of tractors was to have been 55,000 in 1933, and of automobiles 130,000—starting almost from zero—but the prospectus has been considerably enlarged. With a little conversational stimulus the forecast output is raised to 8,000,000 cars a day in 1938. The output of pig iron is to be trebled; of coal and petroleum, doubled; of cement and brick, quadrupled. The production of textiles, leather and rubber shoes, hardware products, tobacco, matches and many other classes of consumers' goods are to be doubled, "in order," naively states a book of Soviet propaganda intended to win the favor of American traders

and manufacturers, "to provide an additional incentive to the peasants to produce a surplus of grain."

The Price of Victory

The means by which the 43 billion dollars of expenditures within five years are to be financed would seem nothing less than fantastic in any other country than Soviet Russia, when it is recalled that the entire national income at present is less than 13 billion dollars. Taxation—the budget system—is put down to yield something over 22 billion dollars, the nationalized industries are to contribute promised profits of about 9.5 billions, loans something over 3 billions, social insurance about 4.3 billions, and various other sources 3.3 billions. As not more than 400 million dollars are expected from foreign loans during the entire five-year period, practically the entire 43 billion dollars must be raised internally, and all but 3 billions of it must be cash.

To compare this colossal undertaking with the facts of experience, recall that the great war cost the United States 24 billion dollars and that the richest nation in the world is taking about 25 years to liquidate that sum plus interest, with the aid of 11 billions of foreign loan repayment. At present the national income of the United States is about 90 billion dollars—some seven times that of Russia—and yet we consider our taxation far too high. Directly or indirectly, on the basis of the present national income of Russia, more than 60 per cent annually of the product of its people is to be absorbed by the scheme of industrial and cultural expansion. Actually the percentage may not be so large, because it is calculated that during the five-year period the national income will be increased 64 per cent. The proposed 9.5 billion dollars of profit from the nationalized industries is to be extracted by an increase of the annual profit from the present 6 per cent to 17 per cent; and the reduction of the costs of production by 35 per cent, through mechanization and the increased productivity of labor.

Centuries Compressed Into Five Years

To visualize the magnitude of the task the Soviet government has set for itself, it might be roughly stated that it is proposed to do in five years what it has taken England 160 years and the United States 90 years to do. In this brief period a nation that is now overwhelmingly agricultural, with 80 per cent of its people peasants and incredibly poor, expects to become a rich industrial nation, with the output of its factories worth twice that of its farms. One purpose of the hot haste with which the industrialization program is being put through is doubtless to reduce the power and numbers of the peasants and thus get rid of the greatest obstacle to the complete socialization of the nation. With more people in the cities and in the manufacturing and other urban industries Soviet control and manipulation will be made easier.

Rapid Utilization of Huge Water Power is in Progress

If this amazing program were to be accomplished by a Russia entirely segregated from the rest of the world, economically as well as politically, it would be little more than an object of wonder and admiration for the people of other nations. But it has vast foreign repercussions while under way, and will have still greater if it succeeds.

In the first place, there is no possibility of the plan succeeding in five years, or in fifty, without foreign assistance in the way of materials, machinery and technical skill. In the absence of foreign loans, which to any important extent seem to be ruled out of possibility; foreign aid, in whatever form, must be paid for in cash or in very short term credits. It is therefore necessary for the Soviet government to strain every nerve to increase Russian exports. Straining every nerve not only means that the long suffering and greatly sacrificing Russian people must be held to the lowest possible point of consumption that they can morally and physically endure, but that the exported goods, wherever necessary to assure their sale, must be sold at prices that have no relation to production costs; if, indeed, it is possible to figure such costs comparably to those of other nations, under a system, whereby world gold-standard prices have no relation to internal prices.

When a Rouble Is Not a Rouble

The cost of production can be almost anything when domestic goods and materials are purchased with printing press roubles at prices arbitrarily determined by the government, which is also the universal manufacturer and merchant. There is no internal relation between a paper rouble under such conditions and the gold rouble for which products are sold abroad. As a matter of fact, whenever a paper rouble gets out of Russia it has but a value of about seven cents in American money, as against the 51.46 cents of the gold rouble.

On the basis of this relation, every dollar's worth of foreign gold or exchange that the Soviet government can lay its hands on is worth seven dollars in Russia. The margin for price cutting and dumping is so large that there is no possibility of any goods in any other country competing with Russian products, of which (*Please turn to page 192*)

Electric Railroads Operating Within Sight of the Oil Fields

Governments as Santa Claus

How Far Should Public Bodies Go in Relieving Present Distress by Extensive Construction Programs Financed by Bond Issues? Market for Municipals May Prove Automatic Check

By J. C. Clifford

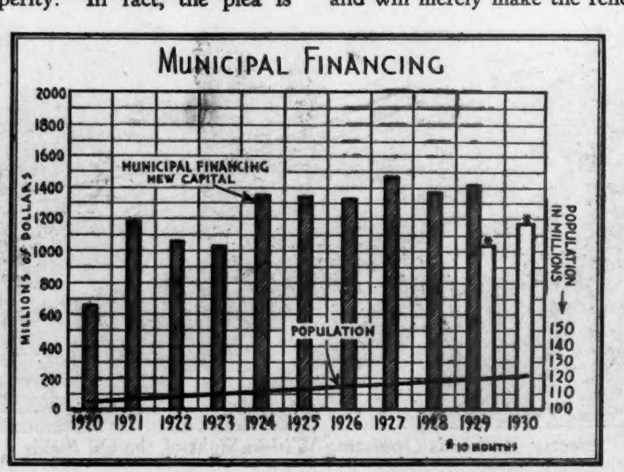
POPULAR faith in the ability of the government to cure all economic ills is always strongly in evidence during industrial depressions. The results of recent elections in our own country and the rain of falling administrations throughout South America attest the prevalence of the belief that the persistence of hard times is proof of incompetency of the government and calls for change by normal means, if not by revolution.

Undoubtedly there are many excuses for this attitude. In the first place there is the undeniable fact that the government *can* do much to undermine or promote the prosperity of a country and in the second place there is always a tendency on the part of an administration to take all credit for "good times"—with the mistaken but inescapable popular inference that it is likewise responsible for depression.

Stabilizing Influence

Ever since the stock market crash of last year the people of the United States have looked steadfastly toward the authorities, either Federal, State or Municipal, for restoration of prosperity. Every effort was made to justify this faith, and the sound policy that governments should concentrate the construction of necessary public works in times of poor general business, and thus exercise a stabilizing influence upon the erratic movements of the business cycle, was brought into operation. There is no quarrel with this policy or its application now, the protest is against a public opinion which endows a government with supernatural powers which eventually is certain to lead to grave abuses; arising from the sapping of private initiative, the mainspring of all real prosperity. In fact, the plea is for the preservation of the essential difference between United States and a country like Russia where bureaucracy reigns supreme.

Governmental agencies throughout the United States are busy with schemes for spending the taxpayers' money. At the last elections about $300,000,000 in municipal bonds was authorized and more are contemplated. Municipal new financing for the first ten months of the current year totaled 1,189 million dollars, the largest amount for any similar period since 1927. For the month of October 167.7 millions in municipal bonds were offered, the greatest amount for any month in ten years. Now, without losing sight of the relief given to the unemployed, it should be clearly realized that there are two sides to the question of these immense public expenditures. The bright side, which is seen by everyone, namely greater activity where greater activity is sorely needed, and the other side, which is that everything must eventually be paid for and that to an important degree money spent now means that much less to spend in the future.



The crux of the whole matter lies in whether or not the public expenditures now being made are necessary and justified; but, unfortunately, there is no way of definitely finding out. Little help can be expected from the general run of politicians for whom the spending of money and yet more money means power and yet more power, or from the majority of the electorate, who pay no direct taxes whatsoever and consequently do not have the inevitable bill presented with the same obviousness as the unhappy minority.

Too Much for the Future?

In this situation there is danger that relief for the unemployed will be placed ahead of the need of the contemplated public works, with the result that towns and states will be building roads, schools, bridges, etc., out of all proportion to requirements, even allowing reasonably for future expansion. The mortgaging of too greater part of the people's future income, regardless of the number of men for whom work is temporarily found is unsound and will merely make the relief problem worse in the next period of depression.

The degree in which the expenditures of states and cities have increased since the war has been alarming. The truth of the matter is that municipal activities have expanded, not only on account of the increasing population, but because of dangerous encroachment upon the legitimate field of private enterprise. This expansion has demanded more and more money which, on account of the unprecedented prosperity, has been easily obtained, but with the *(Please turn to page 190)*

Business Perils of a Dying Congress

In the Balance: Power Control—Railroad Legislation—Farm Relief—Security Markets—Unemployment—Income Taxes

By John C. Cresswill

THE coming winter of economic discontent is not certain to be improved by activities of the "lame-duck" congress which will convene next Monday. In the good old days when Republicans were Republicans and Democrats were Democrats, when Aldrich ruled in the Senate and Reed or Cannon in the House, a "lame-duck" Congress of the same political color as the occupant of the White House would have been a routine affair, with the doomed members, brightened by hopes and promises of soft jobs, brought into more than customary party docility. But this last session of the 71st Congress is in the hands of the insurgent Republicans to such an extent that we have witnessed the amazing spectacle of a Republican president appealing to the Democratic Senate leader to hold up his hands and of certain Democratic leaders voluntarily offering a truce of parties in the interests of public composure and constructive legislation.

The hope of the administration is that Congress will avoid all contentious legislation, pass some bills intended to ameliorate the business depression, enact the regular appropriation measures promptly and fade from the scene on March 4. Its fear is that unsettling legislation will be introduced or pressed and that the insurgent Republicans in the Senate may filibuster the annual appropriation bills to death, making necessary a special session of the new Congress in which the administration will control neither House nor Senate. The proposed truce of parties may not materialize in the coming session and can hardly be expected to apply in a special session.

Public Ownership Threat

But sincere differences of opinion as to the nature of the ameliorative legislation and the earnest desire of both party managements to escape the business perils and political responsibilities of an extra session may give the obstreperous insurgents an opportunity to engage in some political merchandising at good prices. Senator Norris, of Nebraska, who, if this were Russia, would be the commisar of power, has given notice that he will insist upon votes on the Muscle Shoals bill, the importance of which to our politico-economic radicals is the creation of a precedent for government ownership and operation of power plants. Their ulterior objective is universal public ownership of utilities of all sorts. Doubtless the Nebraska senator would classify any public ownership measure as ameliorative of present conditions, whereas to the conservatives they would appear as most inopportune.

The progressives are also likely to insist upon renewed consideration of the export debenture proposal (nothing more than a scheme to subsidize dumping abroad of agricultural surpluses) as a measure likely to be helpful to agriculture. The failure of the Farm Board to cure the pernicious anemia of agriculture may even be made the pretext for a revival of the original McNary-Haugen scheme. The price of retirement of pressure in these directions is likely to be the appropriation of unlimited funds for the Farm Board to continue its present strategy of pegging the price of wheat by buying all that offers.

Taking advantage of business distress and the unemployment crisis and the strong urge at such a time to regard Uncle Sam as a wonder worker in industrial ills there will be many extravagant relief proposals, going far beyond the legitimate pushing of public works, the creation of a federal employment agency and a special loan fund for the drought-stricken farmers. On the other hand there is not much hope for measures looking to the relief of the railways from oppressive legislation and destructive competition.

Unless Congress acts to the contrary the \$100,000,000 reduction in income taxes voted last year will automatically disappear. But if the reduction is continued a treasury deficit is probable in view of shrinking incomes, falling imports and prolonged business lethargy. The answer is, of course, a retardation of the rate of liquidation of the war debts, which has been proceeding at the rate of about a billion dollars a year even at the price of a new bond issue.

Among other irritating measures that are likely to be discussed, although

(*Please turn to page 198*)

This Question of Stock Market Control

Part II

Manipulation

By Arthur M. Leinbach

THERE are two more or less diametrically opposed schools of thought on this question of control over organized markets. In the case of the stock market it is hardly likely that these opposing factions will ever be satisfactorily reconciled. Like the four Orientals in the fable, they are placing the same elephant under observation, yet each one observes a different object.

It is safe to say that practically all of the interests which are professionally engaged in the organized markets of the country, and perhaps, a majority of the students and economists who have studied the question are opposed to external or artificial control of markets. They rest their case on the observation and belief that natural markets contain in themselves an inherent tendency to correct their own excesses. To substantiate this view, they point to the collapse that follows the boom and the rally that follows the break.

The seeds of each corrective movement, they say, are sown by the speculative influences that build up the boom or precipitate the break. Sensitive markets, therefore, are self-purging markets. Artificial restrictions that may be thrown around security dealing with the purpose of eliminating excesses, will in the long run, only serve to break down the inherent ability of an unrestricted market to correct its own excesses. And an imposing list of historical precedents are presented to clinch the argument that artificial restrictions seldom achieve their intended purpose of "market control."

Without going too far back in the historical chronicles, we have such classic examples of the failure of artificial "control" to point to such as the Stevenson Plan for maintaining the price of crude rubber; the Brazilian Coffee Valorization Scheme; the Copper Exporters Association attempt to hold up the world price of copper; the successive failures in attempts at "rationalizing" petroleum output, and the unimpressive record of the stabilization efforts of the Farm Board in the grain markets. The largest of our grain markets, more or less under the compulsion of political and agriculrural sentiment, imposed a ban on short sales by foreign governments "intended" to depress grain prices. The ban was directed at the Soviet Government, believed at the time to be heavily short of wheat. In addition, of course, it was hoped that such action would tend to run up open market quotations. But on the latter score, the records failed to disclose any particularly imposing results.

The New York Stock Exchange, on the other hand, continues to refrain from any open and positive restriction on short selling. In spite of all the publicity concerning stock exchange bear-baiting that sprang up recently, there is no official restriction or obstacle standing against short selling today that did not exist last fall during the market boom or at any other time. And the stock market rally that developed during the second week of November, is considered by many observers as a sort of a vindication of the policy of exchange officials—at least, it affords a working illustration of the inherent ability of the market to purge itself of its own speculative excesses, if only momentarily.

Whether the rally holds or not is beside the point, say these observers, the important fact is that the broadest and longest sustained rally of the entire September-October-November decline resulted from an oversold condition of the market. Any efforts to "control" the stock market during the moments of its greatest weakness would have merely prevented the oversold state of the market and therefore robbed it of its inherent rallying power. There is an essential element of support in the completion of any short selling transaction which is automatically taken away from the market when short sales are restricted or banned outright. The urgency for selling any stock or commodity and the urgency for buying at any particular period of time is determined by prevailing conditions. When conditions make urgent selling necessary values will decline no matter what measure of control is adopted.

The Ethical Side

The question of market control in its broadest sense, however, has far greater significance for the individual investor than merely the technical considerations discussed above. From the viewpoint of the average investor and his day to day experience with the security markets, the ethical side of market control is certainly involved. Until we arrive at some Utopian era, organized markets made by the hands and minds of men will

suffer abuses at the hands of certain of the market-makers. And while these abuses are distributed pretty evenly over advancing markets as well as declining markets, it is the abuses that occur in the latter type of market that confront us at this particular moment.

It is now pretty well conceded, for instance, that the late bull market involved rather flagrant impositions on the credulity of the public concerning a fair value for common stock investments. Probably that the most powerful single influence in disturbing the public's sense of security values was the extravagant display of manipulation in marking up stock prices. Although last year may be considered a far point in history by this time, it is not too far away to still leave its mark. The less sophisticated of the public are chronic buyers of stocks and it is for this group that market guidance or control is most essential. If this group has bought to poor advantage as the direct result of manipulations for the rise, then this same market participant must pay, when he or she sells.

But, when similar tactics appear in different dress and having the purpose of warping a reasonable view of security values on the decline then the subject of market control is bound to emerge with stress on the ethical side of the discussion. Bear raids on the market, calculated to depress prices and impair the ability of long holders to retain their investments, are not as easy to dismiss with a dissertation of their "technical" benefits. Practically the whole argument and most of the rebuttal of the faction which is calling for stock market control is based on the "abuses" of short selling in the form of organized bear raids to depress values.

There were few in the financial district, from big customers and firm members down to stock clerks, who were not aware of the thick clouds of pessimism, fed by a continuous supply of "tips" and rumors, that arose with each burst of selling on the floor of the Stock Exchange during the recent stages of the market's decline. Perhaps part of the subtlety of these campaigns was the fact that many of these reports, although premature, frequently turned out to be correct. A great many others were unfounded in fact. No matter now energetically the unfavorable rumors were tracked down in an effort to determine which ones were founded on facts and which ones were not, there necessarily existed a fairly constant supply of unchecked rumors on hand to undermine confidence.

Higher Standard Needed

The fact that such practices, induced enough "frightened selling" in addition to the natural volume of liquidation, to produce a momentary oversold condition of the market is hardly likely to be put forward by anyone as a rational justification. The practice, at best, is a sort of a harkback to the dim, but not entirely forgotten, past when competitive struggles by industrial giants involve almost every expedient from sabotage to violence to get ahead.

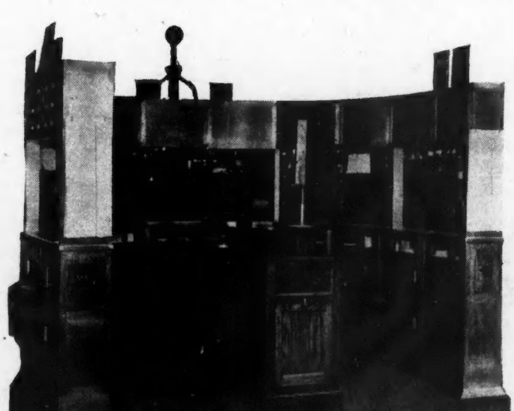
Our fathers, or perhaps our grandfathers, tell us yarns of how business practices of the day included such nice arts as "forcing to the wall," "ruining the business" and "destroying the other fellow's credit" in order to acquire some particularly desirable piece of business property at a foreclosure price. A higher standard of working ethics and morality among modern business executives plus the discovery that the older methods do not pay safe profits in the long run, have largely eliminated strong arm tactics in modern business practice. We have our hard working Federal Trade Commission on hand to police business in the sense of protecting the highly principled business man against competition of the "unfair trade practice" variety. But we have apparently not been entirely successful in doing away with the more subtle organized "bear raid" which thrives on the destruction of values in the stock market.

Unfortunately, the remedy for the abuses of manipulation in organized markets is not as easy to determine as the sickness itself. The natural psychology of fear is such that pessimistic sentiment often does not need any extraordinary stimulus to grow to unseemly proportions. The man who cries "fire" in the theatre may well believe that he sees fire back stage while the next man to take up the cry does so because he has heard the alarm and is seized with fright. After the panic, it is always difficult to determine exactly which one of the thousands in the audience was the first one to spread the alarm. No one has yet suggested, however, that we abolish all theatres because some of the most tragic disasters in history have occurred through fire scares real or false in these institutions.

The Short's Attitude

Aside from the deliberate spread of false rumors and the determined efforts to undermine values artificially, there are few charges that could be laid at the door of the short selling clique that might not also be placed elsewhere with equal reasonableness. And in answer to such charges, the short seller might well reply, "I have merely taken the position in the market that seemed most profitable to me, because of the excess of speculative enthusiasm of the public during the advance. Does my selling impair prices any more than the selling of the investor who was long of stocks? If he fails to buy back his shares at a lower price, his market influence is entirely a depressing one. At least, I am compelled to buy back stocks which I have sold short."

Well aware of this, the New York Stock Exchange does not question the activities of its members or their customers from the angle of whether or not they are short of the market. Official investigations are always projected from the standpoint of whether or not there is any evidence of "business conduct detrimental to the welfare of the exchange." The making of artificial markets, either on the long side or on the short side represents one such detrimental act. The spread of false rumors with the purpose of depressing prices (a felony under the laws of the State of New York) is another. And the exchange holds its members strictly accountable for any such practices, both on their own account or by the firm member's own clients with their knowledge. The exchange has indicated its determination to invoke its severest disciplinary measures against short selling operations which in method are detrimental to the public and to the exchange.



A Modern "Post" in the New York Stock Exchange

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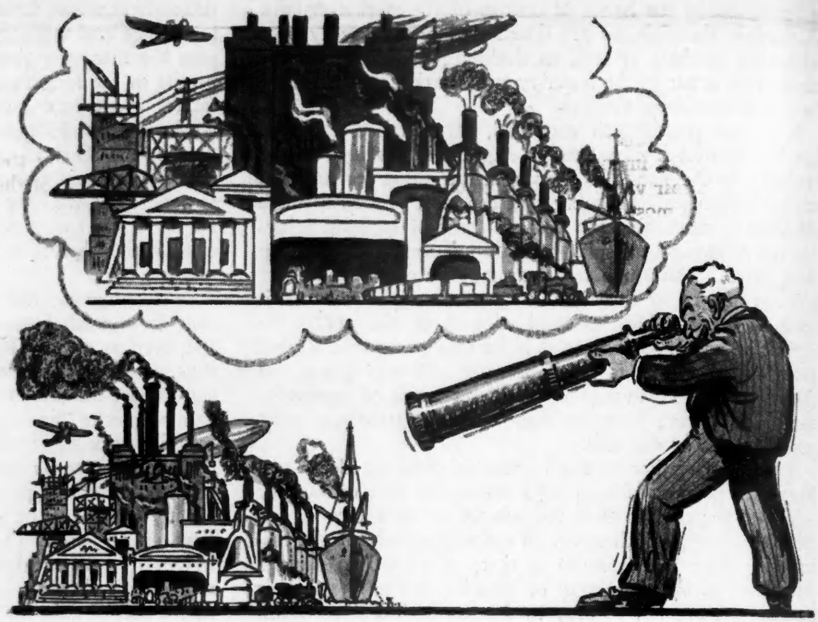


Things To

IT all depends on the point of view. During most of last year everything was examined through rose-tinted glasses. Business cycles were things of the past. The world was on a new uptrend. A company in a prosperous industry with modest earnings and a favorable long range future might have almost any value ascribed to its shares—nothing seemed out of proportion. Optimism gave a widely distorted slant to simple facts. Now after more than a year of depression the rosy lenses have turned blue and sentiments have gone to equally absurd lengths in the opposite direction. The same company which stood out in Gibraltar-like proportions in 1929 is now apparently examined through the reverse end of the telescope. And its impressive dimensions seem correspondingly dwarfed. No future for it is envisaged. Yet the basic wealth opportunity and potential demands of the country have not changed; but to the skeptical eye of pessimism they seem impaired beyond recovery. In other words, in typical American fashion, we have again gone to extremes—from the heights of optimism to the nadir of despair. Now it is time to cast aside all aids to vision and take an intensive look at realities without magnifying or minimizing. Admittedly business is depressed and is not susceptible to revival just by a change in sentiment. It is obviously suffering from more than purely psychological causes, but it will pay to see things as they are, to recognize strength as well as weakness. An unbiased view will inevitably detect the safest path back to recovery.

* * *

Stabilizing Copper

EVEN in the trust-busting days of Theodore Roosevelt, the United States Steel Corporation was allowed to take over the Tennessee Coal & Iron Company in order to hasten recovery from the panic of 1907. By similar reasoning it is more than likely that the present administration will not obstruct the efforts of the copper industry to stabilize prices. In the first place the administration's position would be extremely weak in any protest in view of its own energetic efforts to steady the price of wheat and cotton through the efforts of the Farm Board. Moreover the copper producers are concerned with an international situation not a domestic one and it is held that their operations in coordinating production can be carried through without legal violation. Of course this is no assurance that a more favorable price level for the metal can be maintained. Few such regulatory plans, creating an artificial price, have enjoyed prolonged success. But even temporary strength in copper will lend support to the already encouraging trend in commodity prices in general.

* * *

"Glass" Paper

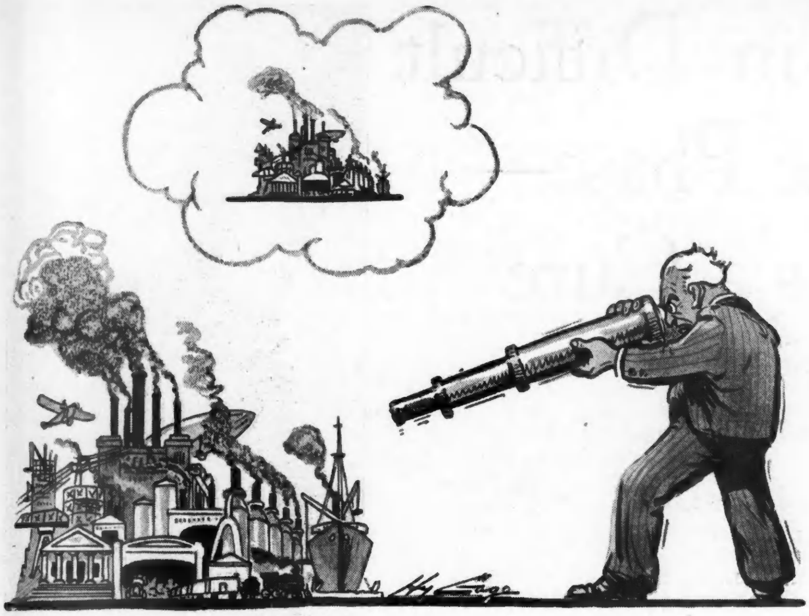
THE day when our forests will no longer be ruthlessly destroyed to supply the necessary raw material for consumption by large paper mills does not appear so far in the future as might reasonably be supposed. Paper, which is now made largely from wood pulp, appears destined to depend more and more upon the various waste products of industry, of which there are millions of tons thrown away every year. Cornstalks, grass and sugar cane are a few examples of likely cheap sources of some of our future paper. Already we see a wide commercial use of a thin, tough, shiny and transparent paper material wrapped around candy boxes, fancy fruits and, more recently, cigars. "Glass" paper of this type is technically known as cellophane and is a close relative of the rayon family. It can be made from any form of cellulose and is a product of the chemical company rather than the paper manufacturer.

* * *

Depression Mergers

"PROSPERITY" mergers were one of the chief distinguishing characteristics of the bull market of 1928-1929, but this urge to merge has been considerably dampened during the current year. When the tide of stock prices was rising, its very buoyancy made the flotation of merger securities an easy matter with the result that many mergers were consummated which in the light of what actually happened subsequently proved them to be very much in the nature of fizzles. The benefits to be derived from mergers were exaggerated, perhaps innocently, and estimates of future earnings of consolidated companies and economies to be effected were frequently over-optimistic.

The ebbing tide in security prices finds the opportunities for necromancy in mergers very much reduced, therefore they are fewer in number, but those that are consummated are gen-



Think About

erally much sounder than the "prosperity" type of the boom period. The unfavorable condition of the market for large public financing eliminates to a considerable degree the type of merger designed chiefly with the intent to sell the securities to the public and net the promoters and bankers handsome profits. That there should be large mergers in a year such as the current one may surprise many, but actually during the first ten months more than 70 important mergers were completed.

* * *

The Needed Stimulant

THE rise from every depression during the last hundred years has almost without exception been associated with either the stimulation of a war or an epochal invention giving rise to some new industry, whose growth and activity were translated to general prosperity. Science has given so generously to the world in the past decade that it is hard to imagine a great new development which might prove the saving grace of the present decline. Yet the development of television is not without tremendous potentialities. It has already been demonstrated as scientifically practical and is now on the verge of extensive commercialization. It would prove a revolutionary factor in the entire amusement industry including radio and motion pictures and would make itself felt throughout the whole electrical manufacturing industry. Then there is aviation. It has been held to be in too early a stage of its development to afford general industrial stimulation; but air transportation awaits only one thing to mark its great advance—safety. The development of the heli-copter the autogyro or other devices of similar principle, which will give necessary stability in the air and prevent falling when motor power fails, may be all that is needed to make the world air-minded and usher in a new era. In less spectacular fashion but arising from the same general demand for rapid transportation, we may expect great advances in railroading. Greater speed on rails than heretofore attained is imminent and faster carrying of passengers and freight supplemented by such rapidly developing tendencies as store door delivery may also be a means of stimulating our industrial vigor. Faster transportation means need demands for equipment, better bearings, improved road beds, stronger and faster motor power. All of these things could naturally be translated into a higher tempo of manufacturing activity in many lines. In addition, there are the great advances being made in the food industry, not only in the marketing and packaging of foodstuffs but in the preservation of foods. Revolutionary changes in this industry will materialize within the next year, and modern science is still on an active production schedule.

* * *

French Depression

THE possession of huge gold reserves are not in themselves sufficient to avert business depression. Our own holdings of more than $4,000,000 only too obviously attests this fact. In addition, we find that France, the country whose gold holdings are now only second to our own with $1,992,000 reported for October 31, is clearly showing the effects of adverse business conditions.

This is the more striking since France is the last of the important countries of the world to capitulate to the forces of recession. Since the critical period of readjustment of four years ago when the franc fell so drastically, France has enjoyed almost uninterrupted prosperity. Lately, however, French commodity prices have fallen and profits are reported substantially reduced. Not a few bank failures have marked the course of recent weeks. It will be interesting to observe whether the depression will be as long lived in France as elsewhere and how far it will interfere with the French program of financing the allies of the Republic.

* * *

Bank Clearings Off

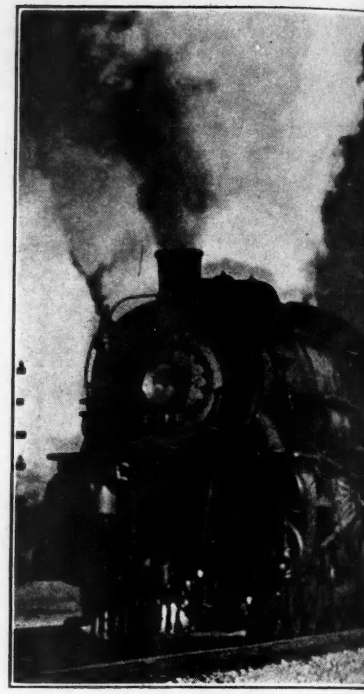
THE fact that bank clearings are off nearly 40% in important centers compared with a year ago is all the more significant in view of the fact that a substantial drop had already occurred last year at this time. It is striking evidence of the current low level of commercial activity, attesting as it does not only the vastly lessened degree of public participation in the securities market, but also substantially reduced volume in both retail and wholesale trade. The usual stimulation in these items which normally takes place with the advent of the holiday season has considerable distance to go before things can be considered anywhere near normal.

Railroads in Difficult Economic Phase—There Is a Cure

Part II

By Pierce H. Fulton

1.—What the railroads need.
2.—What they have.
3.—What they can do.
4.—What they are worth.
5.—What stocks should be bought.



THESE are the five vital questions that should be given careful consideration by present and prospective owners of railroad shares, and by all who are vitally interested in the future of this country and its railroads, and who have the welfare of both deeply at heart.

In Part I of this article which appeared in the preceding issue, the position of the railroads was diagnosed, but specific remedies were not given for the chief difficulties with which they have to contend. In this article not only will this be done, but it will be clearly shown what, with the proper remedies applied, the railroads will actually have; will be able to do, under normal conditions; the intrinsic value of their shares and what ones should be bought at this time and in the near future.

The Primary Need

First of all, the railroads need more traffic, freight and passenger, with both yielding larger revenues for the units of service rendered.

"Where is this traffic coming from?" some one will ask. From the same sources it always has come from, plus the new sources arising out of the changes that constantly are taking place. All that is needed is greater co-operation by all parties concerned and a better co-ordination of all types of presently existing transportation facilities.

Such a degree of co-operation involves the taking of some highly and even seemingly radical steps that no one so far has had the courage to take. Here are a few of the most outstanding:

The people must realize the supreme importance to the country and to themselves of the continued development and prosperity of the railroads, and must stop regarding them largely as octopuses determined to grasp everything within their reach.

The railroads, on the other hand, must realize, even more fully than they have in the last few years, that they are the servants of the public, and their executives must realize that they are duly appointed trustees for the owners of the railroads—the stockholders. In other words, people, governments and railway executives must work together as partners and not against each other as imaginary enemies.

If the railroads actually need higher rates to yield sufficient earnings for the purposes already mentioned—improvements and betterments, bond interest, dividends, surplus, the people and the I. C. C. should not oppose the higher rates. If, on the contrary, there are rates in effect that are too high, the railroads should voluntarily reduce them and not try to put upon the public "all the traffic will bear."

I. C. C. Regulation

We have seen the considerable volume of traffic taken from the steam railroads by the motor bus and truck. While both have a right to operate—under certain conditions—unquestionably they should be carefully and comprehensively regulated and required to pay more for the privileges that they enjoy on the highways. This never has been done by Congress or the I. C. C. Why not? That is an interesting situation.

So far, no one has taken hold of it and gotten anywhere in particular. A series of hearings was conducted by the I. C. C. some time ago, but apparently nothing conclusive was arrived at. Another is in progress right now. Probably several months will elapse before the findings are made public, but the answer is vital to the railroad future.

Seemingly the railroads have not cared to fight the motor truck and bus in the open, with a view to getting them under the supervision of the Commission, if they are engaged in Interstate business. Perhaps the railroads are afraid they would lose freight traffic from large shippers that are using their own trucks to haul a part of their raw and manufactured products, even long distances.

The railroads are fighting the bus and the truck, particularly the latter, through other mediums, whose business is seriously affected by the free use of the truck. For instance, a coal company in the Central West is hauling by truck its coal direct to consumers in St. Louis.

Not only do the railroads between those points lose the

carrying of the coal, but the dealers in St. Louis that formerly passed it along to consumers, when the coal was carried by the railroads, are shut out completely with respect to the coal that is being hauled in this direct way by truck. It is learned that the railroads that are most affected have got the coal dealers, who likewise are suffering, to start a movement, which they (the railroads) are supporting, to secure government regulation of this kind of coal transportation.

This seems a left-handed way to go at it. If the motor truck and bus are not paying enough for the use of the highways, then they should be made by the government, Federal or State, to pay what is right. If they are doing only an intra-state business, then they should be regulated by the individual state in which they are operating. *If they are doing an inter-state business, then they should be brought under the authority of the I. C. C.* If there is no law providing for such authority, then a law should be passed granting it. The Commission should take hold of the situation in a comprehensive and aggressive way, once it has the authority, and straighten it out. The same should be done by individual states in instances where they are called upon to act.

Combatting Competition

There has been altogether too much "Let George Do It" in connection with this whole matter. The railroads can buy some existing bus and truck lines and start others. They cannot buy them all. There is no reason why they should.

Both the bus and the truck have their place as transportation mediums—on a competitive as well as a coordinating basis. They have come to stay. But the railroads should be given fair competition in this situation.

How much longer will the people, Congress, I. C. C., the railroads themselves, allow the situation to go on pretty much as it has been going, with nothing effective done to comprehensively regulate it?

Even since this question was placed on paper word has come of the putting into affect by the railroads of constructive measures for meeting motor truck and bus competition.

Southern Pacific has caused to be organized a store-to-door trucking company, making it a subsidiary, to meet motor truck competition at various points in Texas. Already a much larger volume of freight has been secured than was expected. The company's officials expect that many other railroads will adopt this service. For some time Southern Pacific has been operating, through a subsidiary, extensive bus lines in California.

Southern Pacific also has reduced its coach fares between various centers, partly as an experiment. It is altogether likely, however, that the reductions will become much more general. A high official of that company says that this is the most effective way to meet motor bus competition and that he believes the railroads as a whole will adopt it. Atchison, St. Paul and Chicago & North Western have put into effect first, second and third-class tickets for 6 months, such as have been used in Europe for years.

Word has just come from Austin, Texas, of cancellation by the railroad commission of that State of 400 permits for operation of motor truck and bus lines, for failure to pay taxes and keep up insurance.

Speed and safety are demanded from all transportation companies these days. The railroads are able to offer greater safety than all competitors, and they are making progress toward greater speed. After all steel rails provide the greatest roadbed in the world and a speed of a 100 or even 150 miles an hour is not inconceivable before many years. A propeller-motored single car has already achieved 100 miles an hour in Germany.

Then there are the government-owned and operated barges on the inland waterways. There is no good reason why those waterways should not be developed and used for such service. There would seem to be every good reason why such a service should not be owned and operated by the United States Government, at rates which the railroads cannot possibly meet and make any money.

Apparently the government, in owning and conducting such a service is offering competition even more unfair in some respects than that of the Panama Canal. Generally speaking, the barge rates are 20% below those of the railroads. When the water in the Mississippi River was so high several years ago that the government barges could not be operated, the railroads were asked to take the traffic off the barges and to move it, not to its final destination, but only to such points from which the barges could be run. Last summer, when the water was so low that the barges got stuck in the mud, the railroads were again asked to take off their loads and to transport them to points where there was enough water to float the barges.

Now, what is the matter with this whole situation? Why should the government be in this kind of transportation business in direct competition with the railroads? Supposedly to demonstrate the feasibility of inland waterway service, with a view to its being bought from the government by private interests.

The fact is that, even last year, before the present period of business depression set in, the railroads in those sections of the country in which the government operates barges, were able to furnish adequate service for all the freight traffic offered, a considerable part of which went to the barge line. To be sure, the rail rates were higher. They had to be, as already suggested, or the railroads could not survive.

President Hoover, in an address before American bankers in Cleveland, some weeks ago, declared that the railroads should be given proper support and protection. But he is one of the most ardent champions of inland waterway service and gives it his hearty support as at present conducted by the United States Government. These two attitudes do not jibe at all but they are assumed by all who support government-owned and operated barge lines.

As B. & O. Sees It

Daniel Willard, president of the Baltimore & Ohio Railroad, hits the nail on the head, with respect to the government's attitude toward both these barge lines and the motor bus and truck when he says:

"Personally I do not think that the government is called upon, or that it ought to enter into the subsidized operation of boat lines for the carrying of freight that can be and otherwise would be economically moved by the railroads. If private capital will not or cannot operate boat lines on such waters on a basis to justify private investment, then I submit that such operation by the government is economically unsound and cannot be defended from any fair and reasonable standpoint and ought not to be continued.

"I am opposed, because I think it is unfair, to the unregulated use of such government-built facilities [the highways], without charge by individuals or corporations engaged in carrying freight and passengers for hire as common carriers in competition with government regulated railroads."

Supporters of government-owned and operated barge lines on inland waterways justify them because of the claim that the lower rates that they offer make possible lower prices to the consuming public. The facts are that still, on all important commodities, the price to the consumer is made on the cost at the originating point plus

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¶ *Last Year Management Type Investment Trusts Were the Vogue.*

¶ *Today the Situation is Reversed and the Fixed Trust Finds More Popular Favor. What Is the Reason?*

Fixed and Management Trusts Compared

By Carl Williams

THE year 1929 marked the pinnacle of achievement of the management type of investment trusts, or companies in the distribution of their securities. Up to the market crash in October and November, it is estimated that the public had subscribed for over two billion dollars of their bonds and shares.

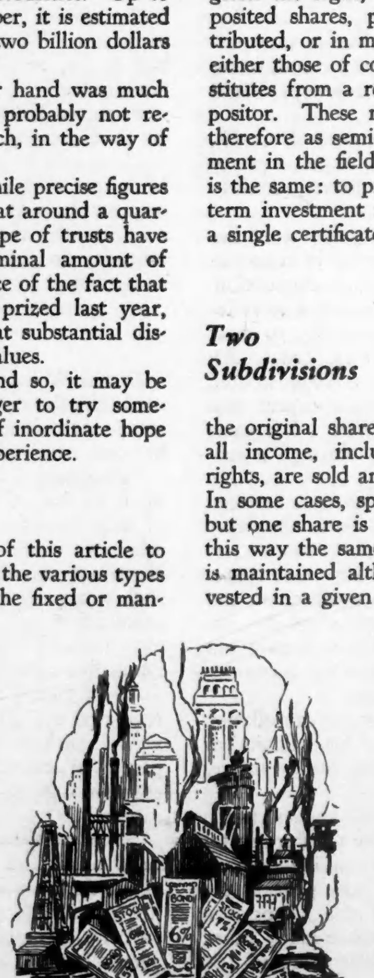
The fixed type of trusts, on the other hand was much less popular and at the same date had probably not received over a hundred millions, if as much, in the way of public support.

This year, the picture is reversed. While precise figures are not available, it has been estimated that around a quarter of a million of shares of the fixed type of trusts have been sold compared with a merely nominal amount of management type securities and this in face of the fact that management company shares, so highly prized last year, have been available all of 1930 to date at substantial discounts from their net asset, or break-up values.

Woman is fickle, an old song says, and so, it may be added, is the investing public ever eager to try something new where the rosy countenance of inordinate hope has not been dulled by the realities of experience.

Contrasting Types

It is not the purpose of this article to discuss the intricacies of the various types and varieties of either the fixed or management trust, but to contrast the two as to the advantages and disadvantages offered the investor. For this purpose the management type may be described as one where the managers may at their discretion, subject to any special indenture or contract provisions, acquire or dispose of stocks and bonds shifting the company's funds as they think best from industry to industry, or company to company, or from stocks to bonds and vice-versa. In the fixed trust, on the contrary, of the rigid type, the same shares are held by the trustee for the holders of certificates of beneficial interest from the beginning to the end.



Criticism of this inflexible feature has caused a modification of the rigidity whereby the sponsors or depositor was given the right, under certain conditions, to sell the deposited shares, proceeds of which were then to be distributed, or in many cases to be reinvested in other shares either those of companies still held in the fund, or of substitutes from a reserve list, or in the discretion of the depositor. These modified fixed trusts have become known therefore as semi-fixed trusts, and mark the latest development in the field. The object of both varieties, however, is the same: to provide the investor with a diversified long term investment in a group of known stocks embodied in a single certificate at a moderate price.

Two Subdivisions

Again the fixed or semi-fixed trusts may be divided into two types according to their method of dealing with income, stock dividends, or split-ups of the original shares. In the distributive type of fixed trust all income, including stock dividends and subscription rights, are sold and the proceeds paid to certificate holders. In some cases, split-up shares are retained. In others, all but one share is sold, the proceeds being distributed. In this way the same number of shares of the original stocks is maintained although the relative amount of capital invested in a given corporation or industry changes. In the opposite type, called the accumulative type, stock dividends split-up shares and rights are retained and added to the fund only cash dividends being distributed.

Management types of investment companies may also pursue a distribution or accumulation policy as in the case of the Irving Investors, but the latter is by far the more prevalent among these organizations.

The recent popularity of the fixed trusts can probably be ascribed primarily to the loss of confidence of investors in the managements of the discretionary types due to the spectacular losses they

incurred in the recent unanticipated great decline in the stock markets all over the world. Apparently, investors unanimously held the managements responsible and guilty for not foreseeing what they themselves could not forsee and resolved, for the time being at least, to invest only in trust shares backed by a fairly permanent group of stocks which were all the time known to them. This is a very natural, human reaction from the crushing disaster that so cruelly blighted so many hopes. It may be questioned whether it is altogether a wise one.

Conspicuous instances of obvious bad judgment on the part of some management trusts and fraudulent failures of two or three are not typical of the group as a whole and should not blind the investor to the equally significant fact that many managements have done extraordinarily well considering the great difficulties with which they have had to contend. Because a portforio is fixed and known is no sufficient reason why it may not depreciate with equal rapidity as one unknown to the investor but supervised by the management.

Management In Any Case

After all, a fixed trust invests its funds in corporations dependent for their success on good management in the hope that the previous good management will continue for the life of the trust. Basically all human institutions survive only through continued good management. It is, in last analysis, what we always depend upon and the principle applies as well to investment as to the operation of a railroad or a steel plant.

A well managed investment company should show results substantially better than a cross section of the general market, or even of selected groups of the best stocks represented in the various "averages" and fixed trusts. The break-up value of its stock, in other words, should increase faster than the averages in a bull market and decline slower in a bear market. The main reason for this is that really superior management will switch to bonds and preferred stocks, or a cash position when equities are obviously inflated and back to equities when they are clearly undervalued on a long term basis. This degree of foresight was what the investor had a right to expect of the management trusts last year and this year and it is on this basis that he can now begin intelligently to discriminate among them. That so many management companies disappointed their followers in this respect during the past twelve months is perhaps the underlying motive impelling buyers of trust stocks in 1930 to decide for themselves the moment to purchase an interest in equities and to do so in the only effective manner open to them—the purchase of fixed trust shares.

The inherent weakness of the fixed trust, nevertheless, and a serious one, is in its mechanical nature, or in other words, its lack of discretionary power after the original set-up is once made. No human intellect is equal to the problem of forecasting any corporation's future for as long as even five years and past records are no sure guide to future performance. For example, up to 1920 American Sugar Refining, Pacific Mills, Tidewater Oil, American Woolen and Consolidation Coal Co. all had unbroken dividend records of 20 years or more. All have since passed their dividends and three are still paying nothing, yet they were gilt edge companies 10 years ago.

Recognition of this defect of rigidity by the public probably accounts for the recent tendency of fixed trusts to take on management features in providing for sale of stocks and substitution of others. But the methods of accomplishing this are also mechanical as they must be when established by contract in advance of the action.

When Management is Unknown

In the numerous instances where the investor is uninformed and uncertain about the merits of the various management trusts, it is perhaps wiser in a time like the present to confine himself to a well set up fixed trust where he is sure at least of a maximum of stability in the portfolio. In other words, a fixed trust based on a well selected group of good stocks is a better risk than a blind choice of management company stocks where the managements are unknown to the investor and where many of them have been shown to be mediocre to the point of being unsound. But like the famous controversy over the good big man and the good little man, a good management trust may be considered superior to a good fixed trust in many important respects. These may be enumerated as follows:

1. Freedom to shift to a cash or bond position when equities are overvalued and vice versa.
2. Ability to sell stocks before dividends have been cut, or prospective decline in earnings has appeared. (The usual conditions upon which shares held by fixed trusts may be sold are the actual passing of dividends or serious actual drop in earnings.)
3. Ability to shift investment from declining or stationary industries to those entering a rapid growth period.
4. Freedom to participate in underwritings usually profitable in normal times.

In times of uncertainty like the present corresponding disadvantages of the good management trust may be expressed as advantages of the fixed trust. It is interesting to note that these are largely psychological in character:

1. A known, permanent portfolio, the market value of which can be calculated at any moment.
2. A market for the shares or certificates of the trust usually bearing a fixed relation to portfolio valuation and not varying greatly from it.
3. Definite and easily estimated charges for organization expenses and trust operation.
4. Freedom from normal income taxes.

Notwithstanding the popularity of fixed trusts for the time being, the writer believes that the opportunities for unusual profits may be found in the management company group, the stocks of which are generally selling at liberal discounts from their liquidating values. It is not, however, a case of something for nothing and the moment may not yet have arrived to begin buying them. There can be no doubt, however, that canny investors who can think for themselves are beginning to analyze the records and acquaint themselves with the managers and policies of the leading supervised investment companies with the view to picking up some highly undervalued stocks when the market finally turns, as it will.

Among the First in Recovery

Participation in Many Other Industries Place Chemicals in Position to Promptly Reflect Improvement in General Business

By HENRY RICHMOND, JR.

IT was really not so long ago that chemist and druggist were synonymous terms—in fact in England chemist is still used to denote apothecary—but from an occupation, closely allied to medicine, employing at most a few hundred men, the scope for chemicals has widened until the industry, measured by the value of its production, has become the second most important in the world. This growth can easily be realized if one pauses for a moment to consider that the meaning of the word "manufacture" has broadened and now contains much of the sense previously reserved for "creation." In the old days one manufactured cotton goods by simple weaving, whereas, at the present time, rayon can be said to be the creation of chemical genius. The industry is a basic one—a source of raw material—and there is scarcely a modern convenience or device but that has been touched by the hand of the chemist. It is to him that we owe many of the recent revolutionary changes in our manner of living and working. He can take coal and evolve oil. He can take air in combination with other materials and produce fertilizer. In many instances he can take that which was formerly considered waste and from this obtain many valuable products.

War Impetus

The chemical industry, although important prior to the World War, was greatly stimulated by this event. Not only did the war itself demand chemicals but many countries found that they were woefully dependent upon others for the ordinary everyday necessities of life. Germany, for example, had a world monopoly in dyes and there will be no difficulty in remembering the domestically-dyed socks that we in America were forced to wear and the multi-colored feet which were an immediate result. Chile had a similar monopoly in nitrates, indispensable to the manufacture of explosives in time of war and fertilizers in time of peace. The situation was such as to emphatically stress the advantages of being self-supporting under all conditions, with the result that the best brains of all the important powers, backed by unlimited money, concentrated upon the problem of discovering synthetic products or substitutes. They were in large measure successful, the perfection of the process of obtaining nitrates from the air probably being the most spectacular of the developments during this period.

The chemical industry continued to expand after the armistice, being fostered by the respective governments who jealously guarded their new found independence and there is now scarcely anything that cannot be produced artificially in the laboratory. In fact so great has been the progress made in putting the industry on a commercial peacetime basis that there are now countless examples of the synthetic product competing directly with the natural equivalent.

It is difficult to show by means of figures the development and present status of the chemical industry in the United States, on account of the indecisiveness of the term "chemical." Some compilations include products that are omitted in others and widely varying results can easily be obtained. It is due, however, to this very complexity that the importance of the industry is derived and the diversification of products is such as to have an important bearing upon every form of human endeavor. Nevertheless, without attempting to define "chemical" here and in order to convey some idea of the size of the industry, we may state that recent calculations show that this country accounts for between 40 and 50 per cent of the total world production. The United States output of chemicals was valued at about four billion dollars in 1929 as against a value of less than one billion for 1914. About 90 per cent of our production is consumed at home, although exports have grown rapidly and this country is now second only to Germany in the value of her chemical exports. It is particularly interesting to note that in 1913 both Germany and Great Britain produced more chemical products than did the United States but in late years we have far outstripped them.

The industry in the United States is organized along lines such that a true comparison with conditions abroad is impossible. There is no company here that dominates the industry in the same manner as does the I. G. Farbenindustrie in Germany or the Imperial Chemical Co. in

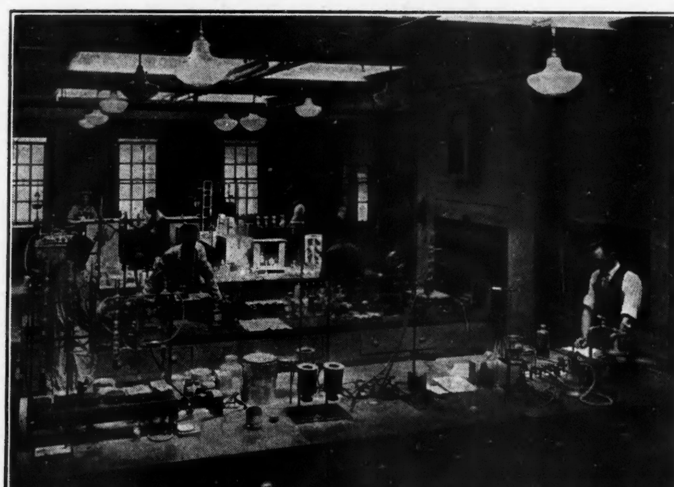
Leading Chemicals Compared

Company	Earnings per Share 1929	Interim Earnings 1930	Recent Price	Dividend	Yield
Air Reduction Co., Inc........	$7.75	$5.03 9 mos.	107	$3.‡	2.8%
Allied Chemical and Dye Corp.	$12.60	Not available	205	$6.*	2.9%
Am. Cyanamid Co. "B".......	....	$1.87†	12	None	....
Com. Solvents Corp.	$1.51	$0.84 9 mos.	17	$1.*	5.9%
du Pont (E. I.) de Nemours & Co., Inc.	$6.99	$3.85 9 mos.	91	$4.‡	4.4%
Mathieson Alkali Works, Inc...	$3.31	$2.26 9 mos.	37	$2.	5.4%
Union Carbide & Carbon Corp..	$3.94	$2.22 9 mos.	62	$2.60	4.2%

* Plus extras in stock. † Year ended June 30, 1930. ‡ Plus cash extras.

England. Nevertheless, the combined assets of the three leading American companies, Allied Chemical & Dye Corp., E. I. duPont de Nemours & Co., Inc., and Union Carbide & Carbon Corp., are roughly double those of either the German or British concern. They do more than half the entire business of the country. Allied Chemical & Dye, as regards its heavy chemical business competes in some degree with duPont, but Union Carbide with its great range of activities cannot be considered a competitor of either. In fact it can be said with considerable accuracy that each of these companies operates in a distinctive field, and their development, attained through re-investment of earnings and by means of mergers, has been the development of the chemical industry in the United States.

From the point of view of the investor the purchase of stock in three or four of our leading chemical companies will give him diversification equal to a very much greater investment in a selection of ordinary "industrials." In fact most of our chemicals have industrial characteristics and actually complete and sell certain products in a finished state, as well as being a source of raw materials for other industries. For example, the duPont company among other things makes explosives, rayon and alcohol, finished products in themselves, in addition to dyestuffs, paints, lacquers, acids and commercial chemicals, which are used by other industries. The same may be said of the Union Carbide and Carbon Corp. Where the development of the company's calcium carbide business, from which is generated acetylene gas, has resulted in the manufacture of welding apparatus. This company is also interested in alloy steels of many kinds, batteries and carbon products, in addition to the chemicals oxygen, nitrogen, various alcohols, solvents and others. Allied Chemical & Dye Corp. is in a like position with its production of roofing and road building materials, fertilizers and gas plants, which are outside its strictly chemical production of acids, dyes, alkalis and others. Perhaps the best examples of companies with a production exclusively chemical are Commercial Solvents Corp. and Mathieson Alkali Works, Inc. The former's principal product is butyl alcohol, which is derived from corn and is extensively used as a solvent for lacquers. Others include synthetic wood alcohol, acetone, ethyl alcohol and carbon dioxide. Mathieson Alkali Works, Inc., is an important producer of the heavy chemicals caustic soda, bicarbonate of soda and chlorine.



Courtesy E. I. duPont de Nemours

The Heart of the Chemical Industry is Research

Even from this very abbreviated list of activities, it can be seen that the chemical industry covers an extraordinarily broad field and that any improvement in our present industrial situation, no matter where it should take place, will be immediately reflected in the sales volume of leading chemical manufacturers. Improved conditions for agriculture would cause an increase in the demand for fertilizer. A "pick-up" in the automobile trade would have a corresponding effect on the market for alloys and lacquers. Greater activity in the textile industry would call for an increase in the production of dyes, chlorine and other chemicals. In fact, as has been previously stated there is not a single division of industry but that is affected by the hand of the chemist.

Having sketched the dependence of different industries upon different chemical products, it can also be shown that many chemicals have a widely diversified market. Sulphuric acid the most basic of all chemical products is an excellent example and it has frequently been said that a country's standard of living can be measured by its consumption of this acid, which so thoroughly pervades all modern life. Of the total production of sulphuric acid in the United States, the fertilizer industry consumes about 30 per cent, oil refining operations 18 per cent, iron, steel and metals refining 16 per cent, paint 1 per cent, and other chemicals 25 per cent, the balance being widely distributed.

It should not be assumed that due to the basic character of the chemical industry and because many others depend upon it, that the converse is wholly true. In fact, so diversified is the production of our major chemical companies that the effects of the present industrial depression have been felt less than has been the case with the majority of "industrials." It is only in recent months that any real curtailment has taken place, although it must be admitted that stocks on hand are now large and that the average weighted price of a number of chemical products has declined some 6 or 7 per cent compared to the average rate prevailing during the year 1929. Exports have also tended to decline. However, partly due to the continually improving efficiency, earnings, except in special circumstances, are unlikely to be more than 15 per cent or at most 20 per cent under the record-breaking totals of last year.

On the other hand the stock market price of many of our best companies has declined vastly more and although further softness is not entirely a remote possibility, the situation from an investor's standpoint is certainly more favorable than in some time.

Adverse Factors

In order to complete this sketch of the chemical industry it must in all fairness be acknowledged that there are three major "sore spots." The nitrate situation is unsatisfactory both from the point of view of the excessive stocks on hand and potential overcapacity. The great momentum given to the fixation of atmospheric nitrogen during the war has made rapid strides since and now the United States, Germany and Great Britain all have efficient plants, capable of large scale production and there are other plants building. In addition there has recently been formed a new $375,000,000 company, sponsored by the Chilean Govern-

(Please turn to page 194)

Profit Possibilities in Warrants

Low Prices of Numerous of These Popular Options Offer Opportunities to Acquire Stocks at Favorable Levels Over Extended Periods

By Lester M. Millbrook

WARRANTS have been no exception to the general rule of drastic declines in the security markets and a number of them now command a price of no more than a dollar or two each, making any further decline, of necessity, very small. The unusual opportunity is then presented for the small capitalist to obtain a substantial interest in some of our largest companies under exceptional conditions.

"A warrant, in the stock market sense, evidences the right to purchase a stipulated amount of a certain security, usually common stock, at a stipulated price, which, however, may change at stated intervals."

A warrant, in the stock market sense, evidences the right to purchase a stipulated amount of a certain security, usually common stock, at a stipulated price, which, however, may change at stated intervals. The right may be a perpetual one or it may be for a limited time only. There are many possible variations in the form of a warrant and the individual conditions of each are such as to be most convenient to the issuing company.

The formulation of hard-and-fast rules to distinguish between "warrant," "right," "call" and "option" is difficult and there exists considerable confusion, as essentially all these terms imply the same thing, namely, a contract to purchase some security, the completion of the transaction resting solely with the purchaser. The latter can force the seller to sell, but can elect whether or not he buys.

Differs from Rights

A "right" is a short term warrant, usually issued as a convenient means of obtaining additional capital, sometimes to preferred stockholders but more frequently to holders of the common, by which they obtain the privilege of buying more stock at a price less than the then current market price. On the other hand, a warrant was either originally attached to some senior security, perhaps a bond or preferred stock, or was given to some individual or group acting in the capacity of promoter. Warrants are longer lived than "rights" and give the holder the privilege of purchasing the designated security at a price *above* the then existing market.

The company, the stock of which is named in a "call" need not be and usually is not, a party to the transaction. It is merely a contract between two outsiders whereby one agrees to sell a certain security to the other at a stated price and before a stated date, the prospective purchaser deciding whether or not the "deal" is to be completed. "Option" and "call" have identical meanings, except that the former is a more general term and can be used in reference to transactions outside the security markets.

The attaching of warrants to senior securities in order to make them more attractive and consequently more salable is, comparatively, a modern development. The warrants attached to the 6% debentures of the American Power & Light Co. sold during 1916 is one of the first easily recallable instances where these options later proved of almost fabulous value. These debentures, which were incidentally marketed at 93, each had a warrant attached, giving one the right to subscribe to 10 shares of common stock at $100 a share up to March 1, 1931. It was not until the year 1922 that the stock crossed par and the warrants became of tangible value. During 1924, however, the stock commanded a price of $500 a share and was "split" 10 for 1. The new stock reached a high of some $175 a share during 1929 and as warrants are always adjusted to large stock dividends or "split ups," the holder of a warrant had the right to subscribe to 100 shares of this stock, worth $17,500, for no more than $1,000. As theoretically the warrant cost him nothing, it can be considered that he made a clear profit of $16,500 on each 6% debenture. For those who were not fortunate enough to subscribe to the debentures, the warrants, traded in separately presented a remarkable speculative opportunity. They were selling for no more than $30 each during 1921 and the possible profit on a purchase at this price can be easily calculated. We are not concerned here with those securities having warrants undetachable except by the company itself on their execution, as these appear to fall more into the category of "convertibles." That is to say they are essentially an investment issue with profit sharing possibilities.

Examples of Warrants

Alleghany Corp. has warrants outstanding, which are an excellent example of the various forms that these contracts may take. This company sold during the year 1929 a block of 5½% cumulative preferred stock with warrants attached, which entitled the holder of one share of preferred stock to purchase, up to February 1, 1944, 1½ shares of common stock at $30 per share. These warrants cannot be detached, except by the company on their execution, and expire automatically in 1944. At the same time detached warrants, having identical privileges, were sold to the organizers. During 1930, however, Alleghany Corp. sold another block of the 5½% preferred, with warrants detachable after July 1, 1930, entitling a holder to subscribe to 1½ shares of common stock at $40 per share. These warrants expire April 1,

1940. It is then possible to purchase at the present time, Alleghany Corp. preferred without warrants; with warrants to subscribe at $30 per share; with warrants to subscribe at $40 per share; and the warrants to subscribe at $40 per share separately. Should the organizers ever market their warrants to subscribe at $30 per share there would be yet another variation.

Even should a warrant be bought with the intention of long term holding, the purchase cannot properly be considered an investment, as nothing of tangible value has been bought, except perhaps in the case of the subscription price being lower than that of the market. Usually a warrant has no asset value neither does it participate in the earnings of the company and should therefore be considered purely as a speculation. It will, however, fluctuate marketwise with the stock on which it represents an option and even should the market price of the stock never reach the subscription price of the warrant, a profit may be obtained by selling in the open market.

How Much Is A Warrant Worth?

As an example of the manner in which warrants fluctuate with the stock may be cited the case of Electric Power & Light Corp. This company has a comparatively small issue of warrants outstanding, unlimited as to time, which entitles the holder of each warrant to subscribe to one share of common stock at $25 a share. They are actively traded in upon the New York Curb Exchange and have ranged during the current year between 25⅛ and 78⅛. The common stock on the New York Stock Exchange has ranged between 43¼ and 103½. If one adds the subscription price of $25 to the price of the warrants one finds that the range has been 50⅛ to 103⅛ and from this one has a clue to the way in which the price of a warrant is fixed. Being usually of such intangible value this is largely a matter of opinion, between two definite limits, however; nothing and the value of the stock itself. When the common stock of Electric Power & Light Corp. was selling at its high of 103½ the right to subscribe to new stock at $25 per share was worth very close to the difference between these two figures, theoretically slightly higher if anything. This is due to the fact that should the warrant have fallen even fractionally below this difference for any length of time, brokers, owning memberships on both the New York Stock Exchange and also on the New York Curb Exchange, would have bought the warrants on the curb and sold an equivalent amount of stock on the "big board." They then would have subscribed to new stock and, on receipt of this from the company, it would have been delivered against the sale and a substantial "arbitrage" profit made, commissions being small or nothing depending upon the technical manner in which the various orders were executed. In the case of a stock selling below the subscription price, zero represents the low point at which the warrants can theoretically sell. The important fact emerges then that the low price of a straightforward warrant, under all conditions, is definitely fixed in relationship to the stock. Although it can be said definitely that a warrant is worth more than "this," the statement that a warrant is not worth as much as "that" presents many more difficulties unless the extreme point—the price of the stock—is taken as representing the limit. When the common stock of Electric Power & Light was selling at $103 a share, no one, of course, would pay that much for a mere warrant, but why did they only pay $78 and not $85 for example? Suppose the market price of the warrants *had* been $85, then a man wishing to obtain an interest in this company would reason as follows: "I must pay $85 for a warrant and $25 more in order to obtain my stock. This makes a total cost of $110, against $103 the price at which I can buy the stock direct. I am therefore paying a premium of $7. The saving on the capital invested due to the purchase of the warrant is only about 18%, whereas all cash dividends are lost and in addition the warrant is inferior as collateral compared with the stock itself. The saving in capital investment is then not worth this extra $7 particularly taking into consideration the other disadvantages."

Warrants Follow the Stock

Now, taking actual conditions today, The stock is selling at $44 a share and the warrants at $26, which, if the subscription price of $25 is added, gives a price of $51 for the stock, also a premium of $7. This time, wishing to command so many shares of stock, by buying the warrants the operation requires about 40% less capital than if the stock was bought direct, a very material saving. This is another way of saying that should the worst befall, one's possible loss on a given quantity of stock is reduced by 40%.

From these two examples of the actual market relationship between the price of a warrant and the price of the stock on which it represents an option, a rule, admittedly vague, but possibly of some value, can be formulated, giv-

Examples of Current Warrants

Company	Detached Warrants Outstanding	Time Limit	Right to Buy Stock at	Terms	Recent Price of Warrant	Recent Price of Stock
Alleghany Corp.	1,725,000	Feb. 1, 1944	$30	1½ shares for 1 warrant	*	$10
	125,000	April 1, 1940	40	1½ shares for 1 warrant	$3	10
Electric Power & Light Corp.	675,102	No	25	1 share for 1 warrant	26	44
United Corp.	3,732,059	No	27.50	1 share for 1 warrant	8	19
American & Foreign Power Corp.	7,023,847	No	25	1 share for 1 warrant	20	38
Middle West Utilities Co.	"A" 588,845	Dec. 31, 1931	40	1 share for 1 warrant	1⅛	18
	"B" 588,845	Dec. 31, 1932	45	1 share for 1 warrant	1⅞	18
United Gas Corp.	3,925,691	No	33⅓	1 share for 1 warrant	3¾	8
Commonwealth & Southern Corp.	17,601,400	No	30	1 share for 1 warrant	1⅛	8

* At present exclusively held by organizers.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current In-come	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955..	273.3	5.62	110	93	4.3	4.4
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	99	4.6	4.6
Great Northern Gen. A 7s, 1936.....(b)	139.8	2.41	...	111	6.3	4.7
Pennsylvania 5s, 1964	....	4.54	102T	104	4.8	4.8
Central Pacific Guar. 5s, 1960........(a)	....	2.72	105 ('35) T	104	4.8	4.8
Illinois Central 4¾s, 1966..............	....	1.85	102½('36)T	97	4.9	4.9
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.70	105A	98	5.1	5.1
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	X	105	105	5.2	5.2
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	2.21	106	103	5.3	5.3
Southern Railway Dev. & Gen. 6s, 1956.	133.8	2.23	....	110	5.5	5.3
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.48	110('30)	112	5.4	5.4
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	108	5.6	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995...(a)	255.3	2.03	107½A ('34)	109	5.5	5.5
Central of Georgia Ref. 5½s, 1959......	30.9	1.57	105A ('34)	99	5.6	5.6
Western Pacific 1st 5s, 1946.........(b)	....	1.25	100	94	5.3	5.6
Wabash Ref. & Gen. 5½s, 1975.....(a)	61.6	2.08	105A ('35)	99	5.6	5.6
Minn., St. Paul & S. S. M. 1st 4s, 1938	....	1.58	...	88	4.5	6.0

Public Utilities

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current In-come	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942.	29.0	2.26	105T	103	4.8	4.6
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.40	106T	107	5.1	4.8
Montana Power Deb. 5s, 1962.......(a)	83.3	3.14	105T	101	4.9	4.9
Columbia Gas & Elec. Deb. 5s, 1952....	....	4.62	105T	101	4.9	4.9
Utah Power & Light 1st 5s, 1944.......	....	2.83	105	101	4.9	4.9
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	2.76	105	101	4.9	4.9
Arkansas Power & Lt. 1st & Ref. 5s, 1956 ....(c)	2.0	2.45	105	100	5.0	5.0
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87	...	100	5.0	5.0
Detroit Edison 1st & Ref. 6s, 1940..(b)	14.0	3.27	107½T	107	5.6	5.1
Northern Ohio Tr. & Lt. Genl. & Ref. 6s, 1947, "A" ....(a)	8.4	2.20	110	104	5.8	5.6
New Orleans P. S. 1st & Ref. A 5s, 1952 ....(a)	9.7	1.32	104	90	5.6	5.8
Seattle Electric—Seattle Everett 1st 5s, 1939 ....(d)	....	1.93	105	95	5.3	5.8
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.53	110	102	5.9	5.9
Standard Gas & Elec. 6s, 1935.........	432.2	1.60	103	100	6.0	6.0
Standard Gas & Elec. 6s, 1966......(b)	432.2	1.60	105T	100	6.0	6.0
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.53	105	85	6.5	6.8

Industrials

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current In-come	Yield to Maturity
Midvale Steel & Ord. Conv. Coll. 5s, 1936 ....(a)	....	4.77	105	101	4.9	4.8
Gulf Oil Deb. 5s, 1947..............(c)	....	12.04	104AT	101	4.9	4.8
Allis Chalmers Deb. 5s, 1937........(a)	....	6.29	103T	100	4.9	4.8
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	6.86	105T	102	4.9	4.9
International Match Deb. 5s, 1947...(a)	....	9.81	109T	100	5.0	5.0
Sinclair Pipe Line 5s, 1942..........(a)	....	5.33	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48.(a)	....	12.74	105T	100	5.3	5.3
Purity Bakeries 5s, 1948..............	0.6	10.40	103½	95	5.3	5.4
Amer. Cyanamid Deb. 5s, 1942.........	0.3	10.58	100	93	5.4	5.8
Chile Copper Deb. 5s, 1947..........(a)	....	10.20	102T	92	5.4	5.8

Short Terms

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current In-come	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32...(b)	....	13.59	102½A	102½	5.4	4.0
Amer. Cotton Oil 5s, May 1, 1931.......	....	10.47	105	101	4.9	4.3
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	34.45	101T	103	6.3	5.2

Convertible Bonds

		Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current In-come	Yield to Maturity
N. Y., N. H. & Hart. 6s, '48......	Com.@100	2.39	...	116	5.2	4.7
Baltimore & Ohio Conv. 4½s, '60....	Com.@120(h)	2.03	105	96	4.7	4.8
Texas Corp. 5s, 1944.................	Com.@70	18.08	102T	101	4.9	4.9
Atch., Top. & S. F. Deb. 4½s, '48..	Com.@166.6	5.63	102	121	3.7	..
Chic., Rock Island & Pac. 4½s, 1960	......	2.19	105('36)T	90	5.0	5.1
Chesapeake Corp. Col. Tr. 5s, '47....	C. & O.@106	2.84	100	98	5.1	5.2
Inter'l Tel. & Tel. Deb. 4½s, '39....	Com.@63.9	3.07	102½	93	4.8	5.6
Amer. Inter'l Corp. Deb. 5½s, '49...	Com.@80	1.49	105	90	6.1	6.4
Assoc. Gas & Elec. Conv. 4½s, 1949.	(K)	1.69	103T	76	5.9	6.8
Utilities Pr. & Lt. W. W. 5s, 1959.	*	1.62	105T	73	6.8	7.3

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. K—Convert. into 17½ shares of Class "A" stock. * Right to purchase 7 shares of Class "A," 3½ shares "B" (Voting Trust Ctf.) and 3½ shares of common to 2-2-34 @ $577.50 for the unit.

ing a clue to the fixing of a fair price for warrants in general. If the premium paid on a stock due to the purchase of warrants, is expressed as a percentage of the actual stock's market value, then the higher the dollar price per share the smaller the premium and conversely the lower the dollar price per share, the higher will be the justifiable premium. Suppose the common stock of Electric Power & Light Corp. were to sell at $1,000 per share, then the existing warrants would be worth but fractionally over $975, whereas should the stock sell at $20 a share for example, the warrants would still very definitely be worth something, despite the fact that this is below the subscription price. They might perhaps be worth as much as $15 if the immediate prospects of the company appeared to be particularly good. That this is not exaggerated may be seen from the case of United Corp.

This company has about 3,700,000 warrants outstanding, which entitle the holders to subscribe for an equivalent amount of stock at $27.50. These warrants are without any limit as to time and are currently selling around $8 on the New York Curb Exchange, whereas the stock itself has a value of only about $19 a share on the New York Stock Exchange. The acquisition of the common stock via the present purchase of the warrants, would cost one close to 100% more than the direct purchase. This does not, of course, imply that the purchaser of the warrants today will have to wait until the stock sells above $35.50 in the open market before obtaining a profit, as a rise of very much less than this would be followed by a rise in the warrants and a good profit could be obtained by selling them. This large degree of dependence upon the stock market for one's profit, however, puts the purchase of warrants very definitely in the category of speculations and any commitment in these issues should be recognized as such.

Situation of the Equity

Finally there is one important point which bears not only upon the desirability of warrants themselves as speculations, but upon the general desirability of the common stock of the particular company. Take the American & Foreign Power Corp. for example. This company as of June 30, 1930, has outstanding 1,654,737 shares of common stock and 7,023,847 warrants. Each warrant gives one the right to purchase from the company one share of common stock at $25 per share without time limit. The com-

(Please turn to page 188)

What Yields are Safe Yields in This Market?

Common and Preferred Issues in Which Safe and Well-Protected Income Is Afforded—As Well as Prospects of Long Range Price Appreciation

FOR some time prior to the collapse of the market last year, an investor desirous of allotting a portion of his capital to common stock equities was compelled to accept a yield which in many cases was conspicuously less than could be obtained from high grade bonds. In fact, a savings account paying 4½% interest was more preferable from the standpoint of income return alone than choice common stocks. Today, however, we find the situation vastly changed. It requires only a casual glance through the list of stock transactions on an average day to discover that preferred and common stocks are now selling on a basis to show yields ranging anywhere from 5½% to 25%.

During one of the recent weeks there were 1,040 stock issues traded in on the New York Stock Exchange. Including preferred stocks, approximately 70% paid dividends and of these 30% returned a yield of from 6% to 8%. About 15% of the dividend payers showed yields ranging from 8% to 10% and on 27% of the issues the yield exceeded 10%. In not a few instances the return was in excess of 20%. To that extent, therefore, it is quite obvious that the investor is offered a wide choice in the matter of income return.

"All Is Not Gold"

All is not gold that glitters, however, and the unwary investor might be easily misled, particularly if his selection is made solely on the basis of a liberal yield. It is practically a proven fact that the rate of return is in inverse ratio to the degree of investment security or, in other words, the higher the yield, the greater the risk involved. Rarely does a high yield indicate that an issue is undervalued or neglected marketwise.

The unusually large number of high yielding issues and the existing wide range in yields is the primary result of two conditions. First, the persistent weakness in the stock market has forced quotations to extremely low levels and the decline in values has been considerably out of proportion to the reduction in dividend payments. Secondly, the earnings of many railroad, public utility and industrial companies have been so drastically reduced as to seriously jeopardize the safety of dividends. The latter situation emphasizes the necessity of carefully weighing the present trend of earnings, the financial position and the industrial prospects of each individual company in order to ascertain the relative safety of dividends.

The first thought of the investor is naturally for the safety of his principal, after which he requires reasonable assurance that the income from an investment will not be interrupted or suffer contraction. It is not, however, necessary for him to accept a ridiculously low yield for the purpose of insuring his intentions. Nor is it wise for him to venture in the attractive but dangerous higher yields. Seasoned issues backed by a convincing dividend record are now obtainable to yield close to 6% and in other instances the return is somewhat higher. Moreover, analytical scrutiny reveals these yields to be entirely safe, subject, of course, to unforeseen contingencies.

The seven issues presented herewith have been carefully selected by the staff of THE MAGAZINE OF WALL STREET with a view to aiding subscribers in obtaining a liberal yield at minimum risk. In each instance, the company represented by either its preferred or common stock is currently showing earnings sufficient to provide an adequate margin of safety for dividends. Moreover, the outlook for these companies insofar as it can reasonably be predicted offers further assurance. The selected issues are all well seasoned and under more settled market conditions would doubtlessly sell at a level sufficiently higher to more adequately appraise their intrinsic value. Thus, from this group the investor may choose a sound medium, yielding better than an average return and likely to enhance in market value over a normal investment term.

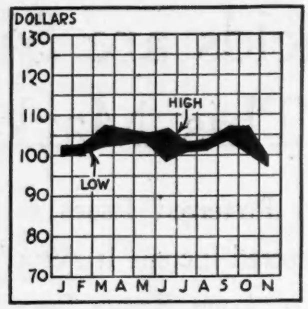
American Power & Light $6 Pfd.

THE advantages of widespread geographical diversification of properties from the viewpoint of stabilizing earnings is admirably illustrated by the American Power & Light Co. this year. The system embraces groups of properties in widely separated and diversified sections of the country, with the law of averages working to even out the earnings. Declining tendencies of one group of subsidiaries are offset to a large degree by advances in others, with the net result that the system as a whole holds its own.

The company is chiefly an electric power and light system, gross earnings from this source comprising about 85% of the total in 1929, while manufactured gas service contributed 8%, water, 2%, transportation 2%, and ice and miscellaneous 3%. Operations are carried on in twelve different states all located west of the Mississippi River with the exception of Florida, and include Arizona, Idaho, Iowa,

Kansas, Minnesota, Montana, Nebraska, Oregon, Texas, Washington and Wisconsin. The territory embraces 1,057 communities with a total population of 3,426,000 including such cities as Duluth, Superior, Omaha, Council Bluffs, Wichita, Fort Worth, Phoenix, Miami, Portland (Ore.), Spokane and Butte. In general the territory has shown a favorable growth, and after the current period of depression has passed will no doubt continue forward.

The consolidated earnings statement for the twelve months' period ended June 30, 1930, shows total gross revenues of $88,168,965 an increase of 2% over the corresponding period the year before. Net income applicable to dividends of the preferred and common stocks of the holding company amounted to $18,879,608, a gain of 1% over last year and equivalent to $10.66 per share on the total number of preferred shares outstanding. Figured on an over-all basis, net earnings of the system were equivalent to 1.34 times the total fixed charges and preferred dividends of the system.



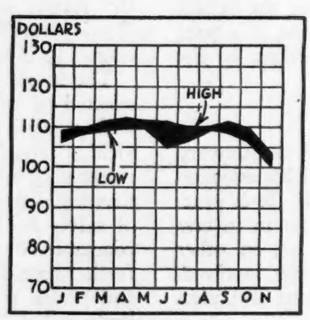
The company has several issues of preferred stock varying only as to rate of dividends but otherwise alike with respect to preference in liquidation or dissolution as to assets and cumulative dividends ahead of the common stock. Specifically their are four different issues—the $6 preferred, the $5 preferred, the $5 preferred Series A, and the $5 preferred Series A Stamped. The special provision on the $5 Series A stock is the graduated dividend; during 1930 the stock pays at the rate of $3.50 per annum; in 1931 it will carry a $4 dividend, and on January 1, 1932, will become a full $5 preferred stock. The $5 Series A Stamped differs from the unstamped in that the stock is currently paying the full $5 rate the difference being paid by a banking house through a special agreement.

The various series of preferred stocks are all selling at about the same yield basis. The $6 preferred is now around 98 and yields 6.12%. In liquidation or dissolution the stock is entitled to $100 a share, but is redeemable on 30 days' notice at 115 and accrued dividends. The preferred has equal voting power with the common stock. The stock represents a sound, well protected, commitment in a large and well managed public utility system and is attractive from an income basis.

Electric Power & Light Pfd.

PUBLIC utility preferred stocks as a class are excellent mediums of investment for the individual who is seeking income primarily rather than appreciation of principal. The non-competitive nature of the industry and the steady upward trend manifested practically since its inception are factors which give the holder assurance of stability of earnings and consequently safety of dividends on the preferred stock. The past record of the utility preferred stocks bears this out thereby establishing for itself an enviable reputation compared with the other major groups of enterprise. Relatively very few cases are known where dividend payments were suspended and in most of these cases in the past these were again resumed after a short period.

An attractive public utility preferred stock at the present time is the $6 preferred stock of the Electric Power & Light Corp., a security listed on the New York Stock Exchange and currently selling for about 88 affording the purchaser a yield of 6.82%. The Electric Power & Light Corp. is one of the utility systems in the Electric Bond & Share group. Up until March 31 of this year, the system was largely concerned with electric operations about ⅔ of the gross being derived from this source, but about this time the system expanded tremendously in the natural gas field through the acquisition of the United Gas Corp., so that while gas service was formerly an important minor source of revenues, they are now on a par with electricity.



$7 Preferred

The operating subsidiaries of Electric Power & Light may be divided into two groups, the western group serving important areas in Utah, Oregon and Idaho and the southern group serving areas in Texas, Louisiana, Arkansas and Mississippi. The electric properties have been developed on a broad and aggressive basis, with heavy expenditures to extend transmission lines and to effect interconnection with other properties. The natural gas system will supply this product directly or through wholesale agreements with independent companies to important areas in Oklahoma, Missouri, Alabama, Georgia and the Republic of Mexico in addition to the southern states above mentioned.

The most recent earnings statement is for the twelve months ended June 30, 1930, which shows gross revenues of $63,649,342, but this includes earnings from United Gas Corp. only from June 1, 1930. The net income available for the preferred and common stocks of Electric Power & Light was $9,709,395 equivalent to 2.72 times the dividends on the first preferred. On an over-all basis, total fixed charges and preferred dividends were covered 1.29 times.

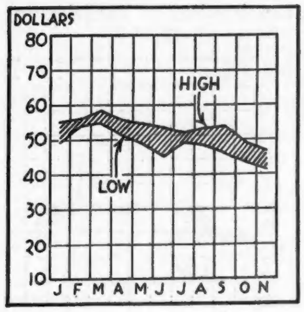
The company has two classes of first preferred outstanding at the present time, the $7 preferred and the $6 preferred. Additional $6 preferred is being issued to retire the $7 preferred either through exchange on the basis of 1 1/6 shares of the $6 issue for one share of the $7 preferred, or through purchase of the latter in the market by the company, or eventual redemption at the call price. At the current market prices for both issues, the yields are approximately the same, but pursuant to the company's plan, the $6 issue is the more permanent investment.

R. J. Reynolds Tobacco Co.

A NEW high record of earnings will probably be made by the R. J. Reynolds Tobacco Co. this year which will then be the tenth consecutive year in which the company has shown an increase in earnings. This achievement in the face of the general depression in most other lines of business is an indication of the exceptional strength of the tobacco manufacturing industry and especially that branch engaged in the field of the popular priced cigarettes.

Reynolds is the largest earner of the domestic manufacturers of tobacco products.

The company's leading product, the "Camel" cigarette is continuing its gradual increase over last year. Although the main source of the profits made by the leading tobacco concern, the popular priced cigarette field is a highly competitive one and in common with the other companies, Reynolds has been intensifying its advertising. A radio hour has been added to the program of advertising, the periodical advertising has been expanded and a greatly increased amount of newspaper space has been purchased. Reynolds' other products include "Prince Albert" smoking tobacco and several varieties of well-known chewing tobaccos. These lines yield a higher margin of profit than cigarettes, and as they have been moving against the trend as indicated by government statistics, the large volume which the company has built up in this division will aid in establishing record earnings this year.



The company does not issue interim earnings statements, but on the basis of business for the first ten months of the current year, net for the full year is estimated at about $36,000,000 which compares with actual net earnings in 1929 of $32,210,521. On a per share basis, the earnings this year should equal $3.60 as against $3.22 in 1929. The company's sole capitalization consists of 1,000,000 shares of common stock and 9,000,000 shares of Class B shares. Both issues have a par value of $10 per share and have equal dividend rights and privileges, but the Class B shares have no voting power. Dividend payment is at the rate of $3.00 annually, increased to this amount in January 2 of this year from the former rate of $2.40.

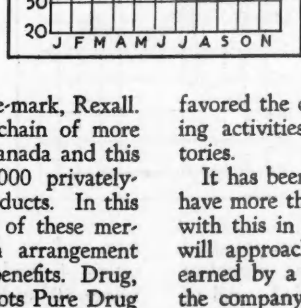
The company is in exceptionally strong financial position, net working capital at the end of last year amounting to $110,756,000 and with the ratio of current assets to current liabilities standing at better than 12 to 1. Good-will and trade names are carried at $1 only, although huge sums are spent every year in advertising its products.

The Class B stock is the issue of interest for the ordinary investor. Currently the stock is selling for 45 and yields therefore on the current dividend about 6.65%, a liberal return on a stock of the calibre of Reynolds. The prospects are for a continuation of the increase in cigarette sales, although perhaps at a more modest rate than in the immediate past, while the other tobacco products as a whole should maintain their position. Fundamentally, therefore, when the market stabilizes the Class B stock offers the investor an attractive medium to participate in the future growth of the industry as it enjoys a more active market than the common and does not require the payment of the premium of the latter.

Drug, Inc.

DRUG, INC., is easily the outstanding organization in its field. In its capacity of a holding company, the company controls a group of manufacturing properties and the largest chain of retail drug stores in the world and the fact that activities embrace both manufacturing and merchandising is an unusual as well as important feature. Thus, while many of the products of the company are retailed through independent dealers, its own large chain assures a co-ordinated system of distribution and enables the company to place the greater sales emphasis on the various merchandise which it manufactures.

The company, as it is now constituted, was formed in 1928 for the purpose of expediting the merger of United Drug and Sterling Products and subsequently acquired other established enterprises including Vick Chemical, Household Products, Bristol-Myers, Life Savers and Three-in-One Oil. Products of these companies include such well known brands as Bayer's Aspirin, Castoria, Danderine, Sal Hepatica, Mum, Philips' Milk of Magnesia and others, along with such specialties as Diamond Dyes, Life Savers and Three-in-Oil. Also a wide variety of medicinal products and drug store merchandise is marketed under the familiar trade-mark, Rexall.



Retail operations are concentrated in a chain of more than 700 stores in the United States and Canada and this group is augmented by approximately 10,000 privately-owned stores franchised to handle Rexall products. In this connection, it is interesting to note that all of these merchants are stockholders in Drug, Inc., an arrangement which is undoubtedly productive of mutual benefits. Drug, Inc., also has a 75% stock interest in the Boots Pure Drug Co., operating a chain of nearly 900 stores in the British Isles. The metamorphosis of the drug store in recent years is probably familiar to every one and today the products in a typical Liggett store include stationery, books, candy and a wide range of household utilities.

Capitalization, as of June 30, 1930, consisted of 3,501,499 shares of stock, $40,000,000 5% debentures due 1953 and $3,000,000 serial notes, 1931-1933. Financial position at the close of 1929 was excellent; the ratio of current assets to current liabilities was better than 6 to 1 and cash alone was substantially in excess of current liabilities.

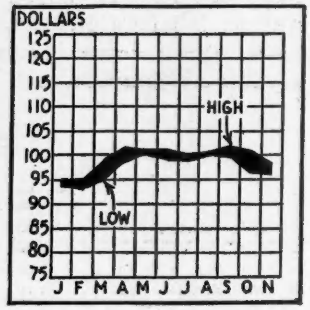
Responding to the company's steady growth, earnings have shown a gratifying upward trend and in 1929, the equivalent of $6.35 a share was earned on the stock. Reported earnings, however, included profits of subsidiaries only from the date of acquisition and made no allowance for the equity of Drug, Inc., in the undistributed earnings of these companies. Share earnings in the first half of the current year were equal to $3.01, comparing with $3.10 on a smaller amount of stock in the same period of 1929. This exhibition of sustained earning power in the face of a serious business depression is a conspicuous indication of fundamental strength and managerial ability. Another feature which has favored the company this year is the fact that manufacturing activities do not require large and expensive inventories.

It has been officially reported that manufacturing profits have more than offset a moderate decline in retail sales and with this in mind, it appears more than likely that profits will approach $6 a share. With the $4 dividend being earned by a good margin, and with the future growth of the company seemingly assured, the shares at 68 to yield 5.90% warrant favorable consideration.

(Please turn to next page)

J. C. Penney Co., 6% Pfd.

THE J. C. Penney Co., engages in the operation of an extensive chain of retail stores, numbering about 1,450 and located in nearly as many cities and towns, specializing in clothing and shoes for men and women, dry goods and a diversified line of miscellaneous merchandise. The business, in its present form, is the outgrowth of single store which began its career in 1902 in the town of Kemmerer, Wyoming. This single store was the nucleus of a merchandising idea of the company's founder, J. C. Penney. By 1912, 34 stores were in operation but expansion received its greatest impetus in more recent years and the present system is the combined result of new units and the acquisition of established companies of a similar nature.



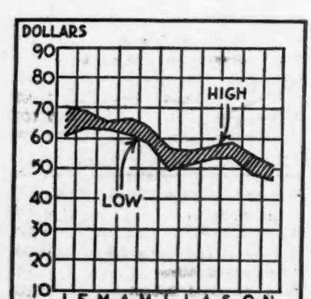
Reflecting the company's widening scope, sales and earnings have undergone a corresponding increase. During the past five years, sales have more than doubled, the $210,000,000 volume of last year comparing with $91,000,000 in 1925, and 1929 earnings of more than $12,000,000 contrast with $7,500,000 in 1925. The company's success is founded on the theory of large volume and small profits and last year the average inventory was turned over more than five times. While not strictly comparable due to the somewhat different method of merchandising, it is, however, interesting to note that the inventory turnover of Sears, Roebuck & Co., and Montgomery Ward was 6.1 times and 4.2 times respectively. J. C. Penney reported a ratio of net income to sales, or a margin of profit, of slightly better than 6% as contrasted with 6.8% for Sears, Roebuck and 5.9% for Montgomery Ward.

At the end of last year there were 196,921 shares of 6% preferred stock (par $100) outstanding, for which earnings available for dividends were equal to $63.04 a share, or more than ten times the required amount. In the previous year the preferred earned $59.50. At the end of June, this year, there were 198,950 shares of preferred outstanding and in the first six months the issue earned the equivalent of $17.13 a share. In June, however, the company announced a drastic cut in retail prices in order to conform with lower wholesale levels and as a result, earnings in the final half of the year will doubtlessly be somewhat lower than for the same period of last year. Notwithstanding the prospect of reduced profits, preferred dividends will be accorded an excellent margin of safety. On the basis of recent market quotations for the common stock, there is a junior equity for the preferred stock having a value in excess of $86,000,000.

Aside from subsidiary debt of about $3,000,000, there are now prior obligations ahead of the preferred. Thus the issue has virtually a direct claim on earnings. The shares are presently obtainable at a level sufficiently under the call price of 103 to suggest the possibility of moderate price appreciation, given the benefit of more settled market conditions. The main point, however, is the yield of 6.25%, which in the light well defined merit of the issue must be regarded as exceptionally liberal.

Beech-Nut Packing Co.

COMPANIES identified with the food industry have shown noticeable resistance to the effects of the current business depression with the result that the majority of established enterprises will report earnings which will offer favorable comparison with 1929. In the case of Beech-Nut Packing, the company reported net earnings for the first nine months amounting to $2,427,139, contrasting with $2,138,904 in the corresponding months of last year. Adjusting these earnings to the present capitalization, the sum available for the common stock in the current period was equal to $4.66 a share. Stated otherwise, the company, in the first three quarters, was able to earn the $3 common dividend better than one and one-half times, despite inventory problems arising from declining commodity prices.



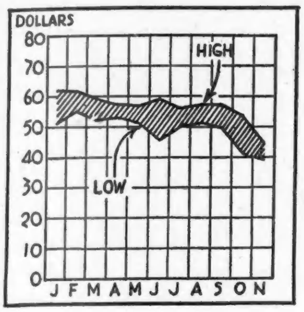
Organized about thirty-one years ago, Beech-Nut Packing has had a long series of successful years, of which the uninterrupted dividend record dating back to 1902 affords convincing evidence. Early activities of the company were confined to the packing and distribution of ham and bacon. Gradually, however, other products were developed and the line of food products was expanded to include chewing gum, peanut butter, preserves, jellies, marmalades, beans, sauces and confections. During recent years products such as prepared macaroni and spaghetti, fruit and candy drops, chocolate bars, coffee and biscuit dainties have been added. All of these products are attractively packaged and are sold at prices which are more or less standardized throughout the year. Moreover, these products could hardly be classified as luxury items in the average American family and consequently, their sale has not been appreciably affected by more economical spending.

Beech-Nut is modestly capitalized and with the exception of a negligible amount of class A preferred stock, the entire equity in earnings is vested with common shareholders. Giving effect to the 5% stock dividend paid last December, there are now 446,250 shares of common stock outstanding. Gold Dust Corp. holds a substantial stock interest in the company, understood to amount to at least 46,000 shares, and in the past this has given rise to rumors of a merger of the two companies. These rumors, however, were officially denied. Nevertheless, the company, with its diversified products and established position, would undoubtedly prove a valuable asset to one of the large food companies. Its excellent record as an independent enterprise, moreover, strongly suggests that should there be a subsequent merger it would have to be consummated on terms favorable to Beech-Nut stockholders.

The final months of the year should produce earnings sufficient to bring the total per-share results up to something better than $5.50 a share for the common and on this basis, there is ample assurance as to the safety of dividends. In addition, recent quotations, slightly below 50, indicate a conservative price-earnings ratio and provide a yield of about 6%. A modest extra dividend might also be forthcoming.

First National Stores

IN the face of fewer operating units, declining commodity prices and general business depression, First National Stores has been successful in increasing the volume of sales and earnings are only moderately lower than



those of last year. This is contrary to the experience of many chain store systems this year and is a glowing tribute to the ability of the company's management.

Operating 2,550 stores, all of which are located in New England, First National Stores ranks as the third largest grocery chain and is the largest industrial enterprise in its territory. Despite the size of the company and scope of its activities, its affairs are handled in a highly efficient manner, evidence of which is found in the adherence to a conservative and well planned program of expansion. As a consequence, the company has not been burdened with the problems of undigested growth and expensive acquisitions, which several other chains have found so trying this year. In addition the management has developed a number of accounting, distribution and personnel innovations which have contributed in no small measure to the success of the enterprise.

The nucleus of the present company was formed in 1925 by the consolidation of the Ginter Co., John T. O'Connor Co. and M. O'Keeffes, Inc., all of which had been operating chain stores for more than twenty years. This combination resulted in a single system of 1,650 stores which was subsequently expanded to its present size by new stores and other acquisitions. Recently the company has been adding new meat markets and it has also been found profitable to open large combination grocery and meat stores. In fact, since January 1, 1930, total units in operation have been reduced by 29, as it has been possible to close a number of the smaller units where the new and larger combination stores were opened. One of the outstanding features of the company's properties is a specially designed

(Please turn to page 192)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.40	138.73	132.20	No	90	4.4
Union Pacific	4 (N)	39.85	46.32	49.48	No	87	4.5
Atchison, Top. & S. Fe......	5 (N)	40.47	40.21	49.18	No	106	4.7
Baltimore & Ohio	4 (N)	38.44	49.44	48.87	No	77	5.2
Pere Marquette Prior	5 (C)	64.08	75.60	55.50	100	95	5.3
Colorado & Southern 1st.....	4 (N)	57.76	49.45	41.72	No	70	5.7
Southern Railway	5 (N)	36.17	32.11	30.21	100	85	5.9
Colorado & Southern 2nd......	4 (N)	53.76	45.46	37.72	No	67	6.0
N. Y., New Haven & Hart....	7 (C)	22.05	34.40	45.47	115	113	6.2
Kansas City Southern.........	4 (N)	9.04	14.01	16.02	No	61	6.5
N. Y., Chicago & St. Louis...	6 (C)	20.31	17.68	20.49	110	86	7.0
**St. Louis, San Francisco....	6 (N)	15.28	17.44	20.76	115	77	7.8

Public Utilities

Amer. Lt. & Traction........	1½ (C)	12.72	**17.20	**21.38	No	29	5.2
Public Service of New Jersey.	8 (C)	§16.28	20.92	19.04	No	150	5.3
Pacific Gas & Elec. 1st......	1½ (C)	3.49	4.24	4.57	No	27	5.6
North American Co...........	3 (C)	31.74	40.22	47.48	55	53	5.7
Columbia Gas & Electric "A"	6 (C)	25.42	30.78	33.96	110	104	5.8
Philadelphia Co.	3 (C)	28.06	21.75	27.58	No	52	5.8
Engineers Publ. Serv. (w. w.)	5½ (C)	....	8.79	17.65	110	93	5.9
American Water Works & El.	6 (C)	24.30	31.05	39.11	110	102	5.9
United Light & Power Conv..	6 (C)	....	....	15.42	105	102	5.9
Buffalo, Niagara & Eastern Pr.	1.6 (C)	3.33	4.52	5.19	26¼	26	6.2
Hudson & Man. R. R. Conv..	5 (N)	40.70	37.02	42.39	No	80	6.3
United Corp.	3 (C)	....	....	4.66	55	47	6.4
Standard Gas & Electric.....	4 (C)	16.76	14.07	20.39	No	62	6.4
Federal Light & Traction....	6 (C)	39.07	49.93	51.72	100	93	6.5
Electric Power & Light.......	7 (C)	16.21	17.00	19.03	110	102	6.8

Industrials

Hershey Conv.	†5 (C)	....	16.25	21.36	No	93	5.4
Mathieson Alkali Works......	7 (C)	74.06	84.50	93.91	No	128	5.5
Stand. Brands, Inc., Cum. A.	7	125.34	123.40	129.41	120	119	5.9
Bethlehem Steel Corp........	7 (C)	16.32	19.16	42.34	No	116	6.0
Case (J. I.) Thresh. Mach....	7 (C)	38.43	32.59	35.06	No	116	6.0
Brown Shoe	7 (C)	44.12	35.27	44.11	120	117	6.0
Bucyrus-Erie	7 (C)	....	39.34	43.31	120	114	6.1
General Cigar	7 (C)	67.32	62.81	65.92	No	111	6.3
Bush Terminal Buildings......	7 (C)	‡	‡	‡	120	110	6.4
Commerc. Investm. Trust 1st.	6½ (C)	24.36	45.50	31.92	110	101	6.4
Deere & Co.	1.40 (C)	5.15	5.90	9.64	No	21	6.7
Crucible Steel	7 (C)	23.47	22.54	32.65	No	105	6.7
Associated Dry Goods 1st.....	6 (C)	24.10	24.55	23.91	No	88	6.8
International Silver	7 (C)	30.82	27.48	23.32	No	100	7.0
Bush Terminal Debentures....	7 (C)	18.88	20.55	22.34	115	100	7.0
American Sugar	7 (C)	7.97	14.60	15.40	No	97	7.2
Baldwin Locomotive	7 (C)	12.21	1.68	11.50	125	96	7.3
U. S. Smelting, Ref. Mining.	3.5 (C)	6.28	3.43	9.91	No	43	8.1

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock. † Regular rate, $4.

PUBLIC UTILITIES

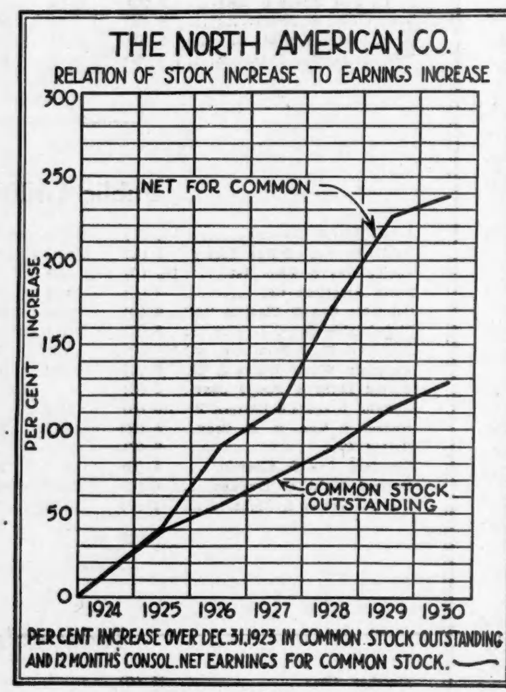
NORTH AMERICAN CO.

A Giant and Still Growing

System Operates in Highly Developed and Well Diversified Territory—Investment Account Large

By Francis C. Fullerton

LONG a champion of the policy of paying dividends in stock rather than disbursing profits or surplus through cash dividend payments, North American occupies a unique position in the corporate world. There are those who seriously doubt the soundness of the policy, but, on the other hand, there are those who staunchly defend it as a perfectly logical procedure. Whatever the final outcome of the policy, which after all concerns itself only with the strictly financial side of the company, North American has been one of the most progressive utility systems in the country.



The company is one of the pioneers in the public utility industry, having been established forty years ago—in 1890—less than eight years after the opening of the first electric central station in the world. It is now one of the largest systems of its kind in this country supplying through its subsidiaries one out of every twenty-three electric light and power consumers. Its influence, however, is much more extensive than this if the affiliated systems in which North American has a large stock interest are included. The roster would then include one out of every nine electric light and power consumers, directly or indirectly.

Large Investments in Other Systems

One tendency has been very noticeable in North American Co. and that is the increasing extent to which it is becoming an investment company. This year, for instance, in one of the largest transactions of its kind in the history of the industry the company sold its extensive California properties to the Pacific Gas & Electric Co. in return for 1,825,000 common shares of the latter. This amount of Pacific Gas & Electric common represents approximately 32% outstanding, or about 20% of the total common and preferred (voting stocks) outstanding. The other important investments of North American are in Detroit Edison Co. in which it has an interest of about 20% in the common stock and in North American Light & Power Co., where its interest is in the neighborhood of 30% and which company it controls in conjunction with the Insull interests.

North American's interest in Pacific Gas & Electric should prove profitable inasmuch as certain former competitive conditions will be eliminated with consequent savings. The transfer of the properties of the Western Power Corp. to Pacific Gas, moreover, is entirely in accord with the idea of regional superpower. North American is now the largest stockholder in the biggest public utility company on the Pacific Coast.

The deal involves important changes in North American's consolidated income account and balance sheet. The income from the former California subsidiaries will of course not be included in the future, but in its place are the dividends received from its holdings in Pacific Gas & Electric common stock. Gross earnings of North American will be affected downwards by about $23,000,000 but there will be relatively no loss in net earnings available for the preferred and common stock. The consolidated net earnings from Western Power Corp. last year amounted to $3,774,800, which will be balanced in the future by dividends receivable from the Pacific Gas & Electric common stock at the rate of $2 per share and totaling $3,650,000 annually, but this is exclusive of the undistributed equity earnings.

The changes in the balance sheet involve a reduction in the property account as well as in subsidiary funded debt and in subsidiary preferred stock outstanding while the investment account is increased. This latter now stands at $123,767,655, a gain of $59,-

649,693 over the figures earlier in the year, and representing largely the acquisition of the Pacific Gas & Electric common stock. Like the rest of North American's investments, Pacific Gas & Electric common is carried on the books at a very conservative figure and even at the current depressed levels, the market price is still much higher than the carrying price on the books. The Pacific Gas & Electric holdings have a market appraisal of about $85,000,000, although carried on North American's books at somewhat over $50,000,000.

All told, the investments are equivalent to about $21 a share on North American's common stock if figured at the price at which the company carries them, but actual market value is nearer $40 per share of North American.

Diversified Operations

The territory which North American now serves may be divided into four distinct areas. The original territory was in and around Milwaukee, where the company soon after its organization acquired control of the electric light and power and street railway properties. These original acquisitions have been substantially enlarged from time to time both by purchase and extension. The present Wisconsin-Michigan properties form an interconnected system extending from the Wisconsin-Illinois state line through eastern Wisconsin into the northern peninsula of Michigan.

The electric light and power properties in St. Louis, Mo., originally acquired in 1901, formed the nucleus of the present Missouri-Illinois-Iowa system extending from the Missouri lead belt, north to Burlington, Iowa. The Cleveland Electric Illuminating Co. was acquired in 1922, and additions by purchase and construction have resulted in the present Ohio system extending from west of Cleveland to the Pennsylvania state line. The most recent acquisition was made in the latter part of March, 1928, when control of Washington Railway & Electric Co. and subsidiary companies serving the District of Columbia and surrounding territory was obtained. In the Cleveland Electric Illuminating, North American owns over 75% of the common stock, while in Washington Railway & Electric its interests amounts to more than 55% in the preferred and common combined, both classes of stock having voting power. North American is also engaged in the production of coal, a field which it entered as early as 1905 and extended in 1924 until at present these properties form the largest coal operation in the western Kentucky field.

The North American system serves a total of 674 communities in a territory having a population of 4,650,000. The chief service is electric light and power, which is rendered to 1,056,802 customers (as of December 31, 1929), but gas service rendered to 100,591 customers and transportation are also important. Heating is one of the lesser services. A significant fact about North American's territory is the high development of these areas. The average density of population per square mile of its territory is 275 inhabitants. Of the four major areas served three are primarily industrial with an unusual variety of enterprises, while the fourth, the area around Washington, D. C., is essentially residential having an unusual stable electric load.

Diversification, with respect to both geographical location and type of service, are factors aiding the stability of North American's earnings. For many years, the system has shown an uninterrupted upward trend in electric output and in earnings, less during periods of general business depression than when business is normal. During the current year, for instance, the normal progress of the utilities is affected, but this is probably only temporary. Gross revenues for the twelve months ended September 30, 1930, were $140,296,108, a gain of $1,201,110 over last year if gross earnings from Western Power properties were eliminated from the earnings for both the 1930 and 1929 periods. Net income after all charges including depreciation were $29,785,345, an increase of 3.5% over the corresponding period last year. The company's depreciation policy has long been ultra-conservative and for the recent period amounts to 10.59% of the gross. If depreciation were charged on a basis nearer the average of the industry as a whole, the earnings would be increased by nearly $1 per share. Actually for the period ended September 30, 1930, these amounted to $4.63 per share on 6,034,947 shares outstanding, against $4.94 on 5,451,756 shares outstanding on September 30, 1929.

Dividend Policy

Dividends on the common stock have been paid continuously for over 21 years. For the past 7 years, the dividend has been paid in stock at the rate of 10% annually, a policy which has caused considerable discussion as to its soundness. A stock dividend policy of this character is sound provided the proceeds obtained by means thereof can be invested to earn at a rate equal to or greater than the percentage paid out. So long as the earnings increase at a faster rate than stock dividends are disbursed, this method of dividend distribution can be considered conservative. North American Co. has been experiencing a steady expansion, and through its stock dividend policy is reinvesting the stockholders' profits in the company. In this way it has provided for part of the financing necessary to expansion of the system, and saves on bankers' commissions by so doing. In the 7 years since the inauguration of the policy, the balance for the common stock increased 239.3% while the common stock outstanding has increased only 128.5%.

North American common is currently selling at its 1927 levels and only about one-third of the inflated level of 1929. At 64, it is selling for slightly under 14 times current earnings, a ratio lower than it has been for several years. The management has stated that it will continue the policy of paying dividends in stock, but the company could easily pay $3 or more in cash if a switch is made. The company has continued its expansion policy this year by the construction of several important new projects thereby indicating its confidence regarding the future of the business. Despite the current period of recession, the long term outlook is still decidedly favorable and on this basis the common stock offers attractive possibilities.

North American Co.'s Growth

	1923	1929	1930 (1)
Gross	$75,465,267	$147,779,869	$140,296,108 (2)
Oper. Income after Taxes	$27,176,069	$71,328,275	$67,456,075
Ratio of Oper. Exp. and Taxes to Gross	64.0%	51.7%	51.9%
Net to Common	$8,242,436	$26,986,790	$27,965,311
Earned per Share	$3.11	$4.82	$4.63
Adjusted Earnings per Share	$1.72	$4.82	$4.63
Electric Customers	......	1,216,428 (3)	......
Heating Customers	......	2,591	......
Gas Customers	......	112,121 (3)	......

(1) Twelve months period ended Sept. 30, 1930. (2) Excludes earnings of California subsidiaries from June 12 to Sept. 30, 1930. (3) Includes customers of California properties.

EDITORIAL PAGE

Building Your Future Income

An Informative Department On Estate Building

What Kind of Dollars?

ANOTHER interesting side light on savings gleaned from our current correspondence.

"Isn't what you save just as important as how much?" is the startling question which we find before us in our morning mail. Wondering if we had read this introductory question entirely correctly, we soon found ourself in the midst of a most interesting letter about the various kinds of dollars that people save and the ultimate effect of these dollars on one's material well being.

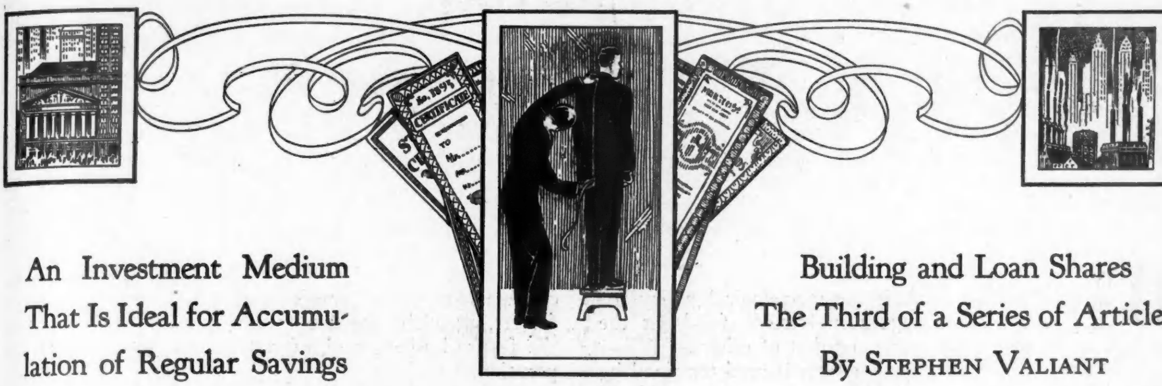
We are all accustomed to take the value of the dollars that we are spending or saving quite for granted as being a constant value, our correspondent points out. Actually, these values change. When prices are high the dollar value is reduced accordingly. When prices fall, the real value of the dollar, in terms of its purchasing power, increases.

This changing value of the dollar is widely recognized in making investments, we are reminded, but is entirely forgotten when it comes to putting aside dollars for savings purposes. During the past few years, bond investments lost a good deal of their former popularity among a wide group of investors, because it was discovered that the long term investor is apt to be "cheated" during eras of inflation in commodity prices. To avoid such depreciation in the "real value" of investment income, many of these same investors turned to common stocks on the theory that if inflation continued, they might receive "cheaper" dollars in the form of cash dividends but they would receive more of them.

This is the investment side of the problem. Isn't it just as important to save the right kind of dollars and spend the "wrong" kind? In other words, should not the accumulation of savings be concentrated during such times that the prices of goods are high and dollar values are low? During periods of deflation, one does not have the same incentive to save. Dollars will buy more in a period of deflation than during times of high commodity prices. Accordingly, it would be a sound principle of thrift to spend more when the value of the dollar is high and save more energetically when dollar values are low.

Refreshing as this thought may be, it brings us up face to face with the necessity of choosing between theory and practice. For, granting that the theory is entirely sound, is it not perhaps far more satisfactory is actual practice for one to adhere to a regular consistent program of savings, year in and year out, irrespective of the theories of changing dollar values?

Fitting the Investment to the Investor



An Investment Medium That Is Ideal for Accumulation of Regular Savings

Building and Loan Shares
The Third of a Series of Articles

By Stephen Valiant

ONE of the oldest forms of security known to our present commercial civilization is the real estate mortgage, and one of the most modern and convenient adaptations of the mortgage instrument to the requirements of present-day investors is the building and loan certificate. The mortgage is the primary security of any building and loan investment. The ultimate satisfaction and the essential safety of such an investment is necessarily determined by the satisfaction and safety of a mortgage. Whatever variation of these factors that exists, among the individual associations, is due to the varying degree to which management and supervision of the building and loan organization are successful in adapting the mortgage principle to modern investment needs.

So many different "plans" of investment are offered and so many different labels are used by building and loan associations, that on the surface it seems a complex form of organization. Essentially, however, all of these "different" associations and plans are one and the same thing. The only real difference between one plan and another is the terms which are offered to investors, the natural variation in management capabilities and the different real estate situations that exist in different localities. Aside from these modifications, however, it is possible to describe a "typical" building and loan investment.

This typical association would obtain its capital through the sale of certificates to investors. Disregarding for the moment the many different terms on which such certificates are sold, a rough classification can be made into two groups, namely, the "installment shares" and the "paid-up" certificates.

In describing these two groups one is tempted to use the analogy of stocks and bonds, the former representing the equity in the association's earnings and the latter a fixed obligation of the association, secured by its assets. The installment shares are comparable with ordinary common stock in the sense that the ultimate income of the holders of these shares depends upon the earnings of the association. Except in special modifications of the installment share plan, no interest is agreed upon or guaranteed by the association. As it happens, the earnings of a well managed concern dealing in such a stable asset as a real estate mortgage are not subject to violent fluctuations under normal conditions. In actual practice this gives an unusual stability to the income payable to installment shareholders.

This is about as far, however, as the comparisons with ordinary common stocks can be carried. Such shares carry no dividends payable in cash at regular intervals. Instead, the earnings are calculated at regular intervals and "credited" to the shareholder, thereby speeding up the completion of the payments. When all payments, including regular monthly deposits as well as the earnings credited, represent the paid up value of the shares, they are considered to have "matured." Then the shareholder is entitled to receive the cash amount of this matured value.

The terms upon which this matured value may be received, vary considerably. In some instances, the matured value will be stated as \$100 a share; another common practice is to fix the matured value at \$200 a share—the so-called "double-share" value. The higher the rate of income that the association earns and pays during this period, the shorter time it will take to reach maturity, and the fewer payments it will require.

Strictly speaking, the only obligation that a building and loan association assumes is to pay the matured value of the shares at a certain date, ultimately to be determined in part by the rate of interest credited on the installment payments. Should the investor desire to withdraw his investment before maturity of the shares, some associations make it a practice to refund the money less deductions for stated penalties or after scaling down interest credited to the account. In order to meet competition in certain localities, some associations make it a practice to refund payments without penalty or without deduction of interest, but this is rather a "rule" of the association and in the usual practice these withdrawal privileges are "courtesies" not necessarily enforceable by law on the demand of the investor.

The most important difference between a deposit in a savings bank and an installment purchase contract with a building and loan association is the fact that the savings bank deposit is withdrawable, usually on demand, invariably upon due notice as long as the bank is solvent. In the case of the building and loan, similar withdrawal privileges are not assured to the investor but may be offered in actual practice as long as it remains the practice of the association to extend the

(*Please turn to page* 190)

Announcement of the Prize Winners in the 1930 BYFI Prize Contest will be announced in the Christmas Issue (December 13) at which time the prizes will be paid to the winners.

Buying for Current Income

An Old Rule That Is Particularly Applicable to the Current Status of the Investment Markets

By M. C. R.

BUYING investment securities on a basis of a definite current income yield, is the most logical policy for those who are managing investment funds at the present time—their own money or that of others.

A certain necessary net cash return is predetermined by the purchaser. Commitments then, are not even considered unless the current yield—on the purchase price—is equal to, or above, the fixed requirement.

The investor or fund manager must waive and forget all of his existing preference or prejudice, for or against common stocks or bonds. He must consider each on the basis of how much cash they will bring him now, at the time of purchase. After all, the reason for investing is, to procure income whether in the form of immediate returns or appreciation of principal or both. Obviously, however, when a stock or a bond is so high priced as to yield only 2% or 3%, any further price appreciation is very improbable.

Some One Else's Profit

"Coming events cast their shadows before them," and any possible stock dividends, or "rights" are usually more than reflected in the market price. An investor buying a 2% income is more than likely paying a profit to some other foresighted or lucky individual. It is apparent, therefore, that a direct relation does exist between an attractive current income and further price enhancement.

What could be called an attractive current yield? A minimum of 6% on common stocks and possibly a maximum of 5½% on bonds is considered attractive in the present markets. When an adequate current yield is not obtainable in common share commitments, it will at such times be realized in the fixed income securities—bonds.

The selection of stocks and bonds on the basis of immediate income, requires careful consideration, with special attention paid to previous dividend record and average margin of net earnings above dividend or interest requirements. Purchases must be made as far as possible in securities of corporations holding a dominant and leading position in their respective industries.

What is the position of the company in its field? Progressive management? And does the firm keep its products or service in the eye and mind of the public by consistent magazine and newspaper advertising? These factors, especially the last named, have a direct bearing on the future business and, of course, net income of the corporation.

Qualifications of Common Stocks

For investment purposes, a common stock interests me more if it is listed on an active exchange. It must be one with primary voting power; one whose average net earnings for the previous 5 years amounted to at least 2 times the previously determined income requirement of say 6%. That is to say, the net earnings must have been at least 1% of the purchase price.

Another personal preference in a common stock commitment is a definite stated par value per share. The recent tendency toward no-par shares is not always desirable for the investment buyer. A fixed par value is a sort of "landmark" from which relative net earnings, surplus, and book value are more easily determined. There are excellent common stocks having no-par value, however, extra care must be used in their selection. When considering common stocks having an optional cash dividend, or a dividend payable in stock, the 6% cash income requirement might also be applied. If the optional cash dividend is 6% of the purchase price, it may be of advantage to accept the dividend in stock. One must remember, however, that cash is legal tender always, whereas a stock dividend is cash only if it is sold *now* to yield the required attractive current income. Stocks offering an abnormally high yield, when compared with others in their respective groups or other stocks in general, must be avoided. Investments in non-dividend payers are also unsuited to investment programs based on buying current income.

Bonds the Investor's Stand-by

Much has been said about bonds, and bond issues becoming a thing of the past, such an attitude is incorrect. Bonds are and always will be a primary investment medium, for current income and often also, for a small but satisfactory profit. It is naturally not always desirable for a corporation to have a funded debt, requiring fixed charges; nevertheless, such bonds if well

secured are desirable from the standpoint of income.

There are desirable bonds that can be bought to yield a current income of 5½%, or more, even though bond values have advanced this year. To fit into my program, a bond should be listed on an active exchange; should be an underlying obligation of a well-managed, and nationally-known corporation. The net earnings available for interest shall have been at least 1.5 times interest charges over a 5-year period.

In the short term bonds there are many good unlisted issues, such as, equipment trust certificates, secured by railway cars and motive power equipment.

In considering listed bonds, it is better to choose one with a lower coupon rate, bought at a discount, rather than a high coupon bond at a premium even though the current yield may be the same. The bond having the lower coupon rate, has the better chance of price appreciation, because a high coupon bond, selling at a premium is often already near the call price and remains there. In the event of being called, through sinking fund operations or otherwise, the lower coupon security may net a worthwhile profit. The bond with a higher fixed rate is limited as to price appreciation by the figure at which it may be called. Convertible bonds must be considered the same as the common stock into which the bond is convertible. Special attention must be given to the terms, and the time limit during which the bond may be converted.

Preferred stocks are the least desirable of all commitments in my opinion. They represent neither a debt, nor a full partnership. A preferred stock does not have the security of a bond, neither does it share the benefits of steadily increased earnings, increased dividends, etc., which accrue to the common shares.

The preferred position as to assets and dividend payments may mean much or very little. In the event of reorganization or other difficulties, the preferred stockholder fares very little better than the holder of the common shares. If the common stock of a corporation is an unsatisfactory commitment, the preferred shares can be considered no better.

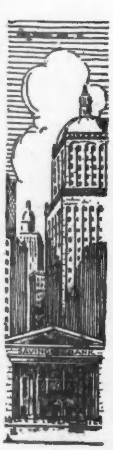
To buy and hold the bonds and the common stocks of the same company, at the same time, is not advisable. When both are of investment calibre, one will always be selling at a more favorable yield basis than the other. The one offering the better current income would be purchased by me. To be both a stockholder and a bondholder in one company, violates the primary law of diversification.

It may well be said that constant vigilance is the price of investment success. Money and investment securities are commodities, like any other article of sale and commerce. They too must be managed, bought, sold or exchanged as changing times demand. For this very reason the purchase of investments on a current income basis is the most advisable practice. The investor must keep well posted on general business and market trends, through the reading of reliable investment periodicals. Special attention must be given to comparative earnings reports of the companies whose stocks are held. Such reports must be kept for comparison with subsequent similar statements.

When the market price on holdings has advanced to such extent that the current yield at market value is only around 3%, the commitment should be sold. The proceeds should then be reinvested into a security yielding the required current income. In that way profits are cashed and kept working profitably. When good stocks are all selling at very low yields, bonds are usually available at a very desirable basis. The opposite is also true.

One therefore never has any difficulty in making investments on a basis of a satisfactory current income yield. Invest safely for cash income payable now. The "long pull" is often too long, and when chargeable compound interest eats up the "pull" the "long" is made longer.

BYFI RECOMMENDS—



For Saving

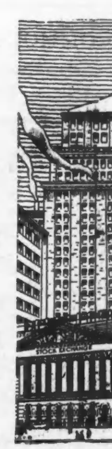
1. **SAVINGS BANK.** A convenient depository for the accumulation of regular or intermittent savings at compound interest. Funds are always available for employment in other mediums.

2. **BUILDING & LOAN AND GUARANTEED MORTGAGES** are conservative investments secured by real estate mortgages. Building and Loan shares essentially a mortgage investment, are purchasable in monthly installments. Guaranteed mortgages are obtainable in large or small denominations. Both mediums must be selected on their individual merits and the reputation of the association or company.

3. **ENDOWMENT INSURANCE** is a means of securing insurance protection and at the same time accumulating savings. Also possesses merit of regularity in savings but in view of small return should occupy a minor role in the accumulating program.

For Investment

	Security	Recent Price	Yield %
1.	Illinois Central 40-Year 4¾s, 1966	97	4.9
2.	Public Service Elec. & Gas 1st & Ref. 5s 1965	105	4.7
3.	Standard Oil of N. Y. deb. 4½s, 1951	100	4.5
4.	Western Pacific 1st 5s, 1946	94	5.6
5.	Youngstown Sheet & Tube 1st SF. "A" 5s, 1978 ..	102	4.9
6.	New York Steam 1st "A" 6s, 1947	108	5.3
7.	Chesapeake Corp. Conv. Coll. 5s, 1947	98	5.2
8.	Associated Dry Goods 1st 6% Pfd.	89	6.7
9.	Hudson & Manhattan Conv. 5% Pfd.	80	6.2
10.	Southern Pacific Common $6	103	5.8



The BYFI Recommendation Table is intended primarily to serve as a constant guide to inexperienced investors through the early stages of their income building program. On the left, the advantages of each of three principal mediums for accumulating regular savings are outlined. On the right, a progressive tabulation of investment securities suitable for the employment of sums accumulated through savings is presented. These issues, if purchased in the order listed, are intended for a permanent investment and as such, will ultimately provide a sound backing of income producing securities, affording safety of principal, fair return, and offering the protection of diversity.

Industry Marks Time At Low Levels

Relatively Minor Recessions Suggest That Bottom Has Been Reached

STEEL

Sentiment Improves

IT is a foregone conclusion that the steel industry will make no departure from the precedent of seasonal dullness during the remainder of the year. With the possible exception of fabricated structural steel, the demand for other finished lines is decidedly dull and there is no indication that this condition will be noticeably mitigated until January, at least. While it is true that revised schedules of automobile manufacturers, in order to bring out new models at an earlier date than normally, have resulted in stimulating demand for steel, the more substantial orders from the automobile industry are not likely to materialize until early next year, when public buying can be more accurately gauged. Several large orders for freight cars and other railway equipment are pending but are

(*Please turn to page* 190)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	1930 Last
Steel (1)	$34.00	$31.00	$31.00
Pig Iron (2).....	18.50	17.00	17.00
Copper (3)	0.17¾	0.09½	0.10½
Petroleum (4)...	1.45	0.95	1.04
Coal (5)	1.65	1.40	1.43
Cotton (6)	0.17½	0.10⅛	0.11⅛
Wheat (7)	1.46⅛	0.96⅝	0.96⅝
Corn (8)	1.19⅛	0.90⅜	0.90⅜
Hogs (9)	11.00	9.00	9.10
Steers (10)	16.50	10.75	13.35
Coffee (11)	0.10⅛	0.07	0.07⅝
Rubber (12) ...	0.16⅝	0.07⅝	0.09
Wool (13)	0.34	0.28	0.30
Sugar (15)	0.03¾	0.03⅛	0.03⅜
Sugar (16)	0.05⅛	0.04¼	0.04⅜
Paper (17)	0.03⅛	0.03⅛	0.03⅛
Lumber (18) ...	20.33	15.67	16.23

* Nov. 17, 1930.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) 220-240 lb. wts.; (10) Top, Heavies, Chicago, 100 lbs.; (11) Rio No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (15) Cuban 96° duty paid, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—For the first time in a number of weeks, news of the steel industry lends itself to favorable interpretation. *Iron Age* reports a moderate upturn in demand from the automobile industry and a number of large orders for railway equipment are in the offing. Demand from both of these sources, however, is not likely to find reflection in production until January. Sentiment has been encouraged by recent developments and favors the belief that production is at the extreme low and that prices will remain relatively stable.

COPPER—Following the upward revision in prices to a 12-cent level, the copper market has developed considerable unsettlement and confusion and the ability of producers to maintain that price level is open to question. In fact, sales were recently reported at 10½ cents. Under the circumstances, consumers are naturally withholding orders until the situation becomes clarified.

PETROLEUM—The latest report of the American Petroleum Institute discloses a moderate increase in refinery operations, resulting in an increase in stocks on hand. Crude oil production, due principally to increased output in Oklahoma and California, also expanded moderately. In the absence of further reductions, the price structure shows a more stabilized appearance.

TOBACCO—The production of cigarettes for the month of October declined over 255,000,000 as compared with October, 1929, and totaled 10,947,129,733. Production for the first ten months, however, was 1,262,160,200 ahead of that for the corresponding period of 1929. While it is probable that the net increase for the full current year will not be as pronounced as was the case in 1929, actual consumption is not likely to suffer more than a moderate and temporary setback. Production of both large and small cigars continues to decline.

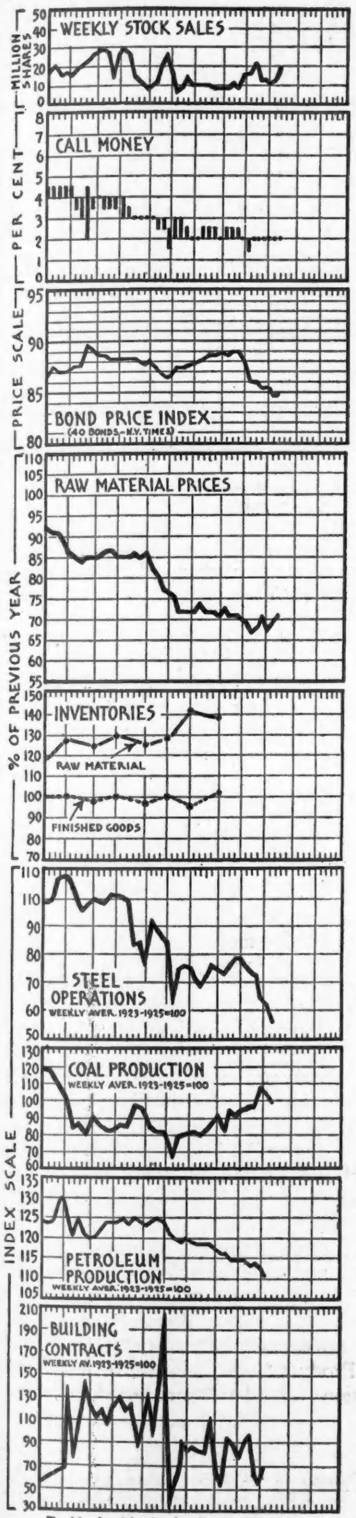
HIDE AND LEATHER—Hide prices have declined to a point lower than any time during recent years. Light native steer hides are quoted at 9½ cents a pound, or about 25% lower than at this time last year. Buying has been sluggish but it is expected that necessary commitments by shoe manufacturers in the near future will impart a degree of impetus to demand. Shoe production, in the first nine months, was more than 12% under last year.

AUTOMOBILE—Production of passenger cars and trucks in October was the lowest of any month this year. In fact output was lower than at any time since October, 1921. Estimated output of 156,743 cars and trucks was more than 60% under October, 1929, and about 62% below October, 1928. The decline this year has been intensified somewhat by the policy of manufacturers in clearing the decks, preparatory to the introduction of new models, about two months earlier than normally. Production has recently been stepped up and additional price reductions have been announced.

SUMMARY—Trade and industry is conforming to the unfavorable predictions made several months ago and bids fair to continue at a low level throughout the balance of the year. Commodity prices in a number of instances give evidence of having reached bottom with a tendency to firm up on any reasonable volume of buying.

The Magazine of Wall Street's Indicators

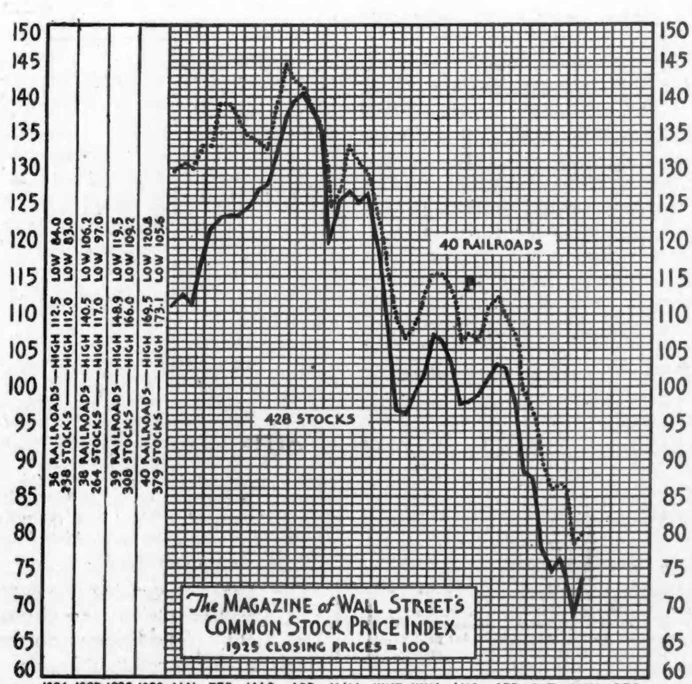
Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1930 Indexes (428 Issues) High	1930 Indexes (428 Issues) Low	Recent Indexes Nov. 8	Recent Indexes Nov. 15	1929 Indexes (379 Issues) Close	1929 Indexes (379 Issues) High	1929 Indexes (379 Issues) Low
428	COMBINED AVERAGE	140.7	68.1	68.1*	73.1	109.0	173.1	88.9
3	Agricultural Implements	404.5	136.4	136.4*	146.0	258.0	655.5	210.0
3	Aircraft (1927 Cl.—100)	153.1	52.2	52.2*	53.0	86.0	307.1	78.0
8	Amusement	272.0	115.0	115.0*	122.6	129.6	268.0	118.5
22	Automobile Accessories	118.1	46.2	46.2*	51.2	84.2	212.6	74.8
18	Automobiles	78.4	25.0	25.0*	27.8	54.2	134.9	44.6
3	Baking (1926 Cl.—100)	74.2	32.8	32.8*	33.7	43.4	96.3	33.4
2	Biscuit	248.1	189.9	192.4	199.6	189.9	267.6	149.3
5	Business Machines	262.7	131.5	131.5*	135.2	219.4	385.8	166.4
2	Cans	226.0	152.6	152.6*	165.3	171.9	273.5	130.8
9	Chemicals & Dyes	248.5	133.3	133.3*	152.8	220.4	363.9	163.9
4	Coal	107.9	45.2	45.2*	51.4	83.5	124.0	61.1
16	Construction & Bldg. Mat....	121.8	54.3	54.3*	58.7	82.4	145.4	61.5
13	Copper	211.7	75.8	75.8*	105.8	194.4	391.5	171.0
4	Dairy Products	125.1	81.4	88.8	90.1	86.5	146.0	61.6
10	Department Stores	51.6	25.6	25.6*	26.3	33.0	86.5	33.6
9	Drugs & Toilet Articles......	142.0	88.4	88.4*	91.9	128.6	199.2	104.5
8	Electric Apparatus	239.1	123.2	123.2†	133.4	172.9	298.5	120.2
3	Fertilizers	54.4	17.5	17.5*	20.1	40.8	121.4	32.2
2	Finance Companies	148.4	71.0	71.0*	85.3	101.4	213.9	74.1
4	Furniture & Floor Covering..	119.2	38.0	38.2	38.0*	109.2	209.3	86.4
6	Household Appliances	92.5	29.1	29.1*	32.5	57.8	110.8	53.4
4	Investment Trusts	184.9	69.5	69.5*	76.2	125.7	406.2	90.9
3	Mail Order	170.0	60.1	60.1*	64.4	132.6	418.6	126.8
4	Marine	88.8	37.0	37.0*	37.2	62.2	93.7	53.8
3	Meat Packing	58.4	32.3	32.3*	35.9	54.2	104.4	43.8
45	Petroleum & Natural Gas....	142.5	64.0	64.0*	67.4	106.7	171.7	92.0
6	Phono. & Radio (1927—100)..	175.2	48.9	48.9*	54.3	129.6	321.1	98.6
23	Public Utilities	305.0	154.5	154.5*	171.3	234.9	388.4	160.7
11	Railroad Equipment	115.4	58.5	58.5*	62.9	90.2	136.1	83.8
40	Railroads	144.5	78.5	78.5*	80.0	129.0	169.5	106.1
3	Restaurants	153.1	88.1	88.1*	92.9	127.2	180.5	97.7
2	Shoe & Leather.............	116.5	62.7	62.7*	64.8	79.4	178.3	64.1
2	Soft Drinks (1926 Cl.—100)..	246.5	164.6	164.6*	179.0	198.4	244.0	154.4
15	Steel & Iron..............	146.5	67.4	67.4*	72.9	117.3	173.4	98.6
6	Sugar	45.1	15.4	15.4*	16.4	39.7	81.6	39.2
2	Sulphur	268.7	183.6	183.6†	194.8	214.0	295.2	146.0
3	Telephone & Telegraph......	177.2	104.9	104.9*	111.3	167.8	252.3	135.6
6	Textiles	70.5	29.1	29.1*	31.0	49.9	128.5	41.5
8	Tire & Rubber.............	39.0	13.0	13.0*	14.5	25.6	111.4	24.4
13	Tobacco	107.3	62.3	62.6	62.3*	88.4	184.6	74.0
5	Traction	103.5	63.4	63.4*	73.8	65.2	140.4	51.9
2	Variety Stores	88.7	66.8	69.6	72.9	88.7	138.8	67.9

* New LOW record since 1928. † New LOW record this year.



(An unweighted Index of weekly closing prices which covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

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Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:

1. ***Be Brief.***
2. ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3. ***Special rates upon request to those requiring additional service.***
4. ***Write name and address plainly.***

GENERAL FOODS CORP.

General Foods common has been recommended to me for semi-investment by a conservative house as an issue that should be a leader in the next advance in the general market. This conclusion is based on the fact that this company is one of the leaders in the industry as well as on the extensive possibilities for its new Birdseye Frozen Food process. What is your advice in the matter?—M. M. K., New Rochelle, N. Y.

The General Foods Corp. demonstrated its strength in the first nine months of the current year when, in the face of depressed business conditions, the net income was 4.5% above that for the corresponding period of 1929. The net profit for the period was $15,510,280 on $2.93 a share, as compared with $14,840,252 or the equivalent of $2.83 a share in the first three quarters of the preceding year. In connection with the earnings statement it is important to note that "other income" in the report for the first nine months of 1930 amounted to only $619,203, against $1,591,014 in 1929. This non-operating profit is derived chiefly from the call money market and investments. Thus operating revenues have shown a sizeable gain this year, resulting from increased sales and greater efficiency. Volume of sales for September was ahead of that for the same month of 1929. General Foods controls the "Birdseye Quick Freezing Process" and the success of this development indicates that substantial revenues will be obtained from this source over a period of time. Profits for the final quarter of the current year are expected to compare favorably with those of 1929, and full year earnings of from $3.75 to $3.95 are looked for. The annual dividend of $3 a share is being well covered and we look upon the stock as a semi-investment issue and one suitable for purchase on any recession for holding over the next year.

P. LORILLARD CO.

Will you please let me have your analysis of Lorillard common at this time? Are its earnings likely to be retarded due to the publicity expense which may be necessary to promote its new cigarette Tally-Ho? I know this was the case with the Old Gold brand. What are the dividend prospects of the common, which I hold at 24?—H. E. O., Aurora, Ill.

The huge advertising expenditures of P. Lorillard Co. in introducing its "Old Gold" cigarette are expected to bring the desired results this year. The campaign has been carried on for five years, and in the past four years, with competition in the industry very keen, earnings of Lorillard have shown a sharp contraction. However, the company continued its aggressive advertising campaign and the dividend on the common stock was omitted three years ago to allow for a larger budget. With cigarette sales showing consistent increases, due to the competitive advertising of the leading manufacturers, and a rise in wholesale prices, earnings of Lorillard are reported to be running well ahead of those for 1929. The "Old Gold" now ranks as the fourth largest seller, and in addition the company produces cigars, smoking, scrap and plug tobacco. The net income in 1929 amounted to $.29 per share on the common stock, as against $.75 in the preceding year and $1.25 in 1927. It has been estimated that results for 1930 will be in the neighborhood of

(Please turn to page 186)

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New York Stock Exchange

RAILS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 11/19/30	Div'd $ Per Share
A								
Atchison	204	182⅜	298⅝	195⅛	242½	182	194⅝	10
Do Pfd.	108½	102½	104⅞	99	108¾	102⅝	106⅝	5
Atlantic Coast Line	191½	157⅛	209½	161	175½	113	†119	16
B								
Baltimore & Ohio	125⅝	102⅜	145⅛	105	122⅞	70	76¾	7
Do Pfd.	85	77	81	75	84⅝	75	77¾	4
Brooklyn-Manhattan Transit	77⅝	53⅜	81⅞	40	78⅜	58⅝	67	4
Do Pfd.	95⅝	88	92⅝	76½	98¾	84¾	87	6
C								
Canadian Pacific	253	195½	265⅞	185	52¼	39½	43⅝	2½
Chesapeake & Ohio	218¾	175½	279¾	160	51⅜	38⅛	43¼	2½
C. M. & St. Paul & Pacific	40⅛	22¼	44⅞	16	26⅜	6⅝	8	..
Do Pfd.	59⅝	37	68⅝	28⅛	46¼	11	13	..
Chicago & Northwestern	94¼	78	108⅛	75	89⅞	42⅞	43⅜	4
Chicago, Rock Is. & Pacific	139⅝	106	143½	101	125⅛	62½	67	7
Do 7% Pfd.	111½	105	109	100	110⅝	99½	†100	7
D								
Delaware & Hudson	226	163⅛	226	141½	181	134	144	9
Delaware, Lack. & Western	150	125¼	169¾	120¼	153	85½	86	7
E								
Erie R. R.	72½	48⅜	93½	41½	63¾	26½	29⅞	..
Do 1st Pfd.	63⅞	50	66¼	55½	67⅞	43	45	4
Do 2nd Pfd.	62	49¼	63⅞	52	62½	36	†36	4
G								
Great Northern Pfd.	114¾	93½	128¼	85¼	102	61	64½	5
H								
Hudson & Manhattan	73½	50½	58⅜	34½	53⅜	40	42⅜	3½
I								
Illinois Central	148¾	131¾	153½	116	136¾	86	86½	7
Interborough Rapid Transit	62	29	58⅜	15	39½	20⅝	29⅝	..
K								
Kansas City Southern	95	43	108⅞	60	85⅝	40	41	5
Do Pfd.	77	66½	70½	63	70	60	†60½	4
L								
Lehigh Valley	116	84⅛	102¼	65	84⅞	40	48	4½
Louisville & Nashville	159½	139⅝	154¾	110	138⅛	102	105	7
M								
Mo., Kansas & Texas	58	30½	65¾	27⅛	66⅝	18¾	22¼	3
Do Pfd.	109	101½	107½	93⅞	108⅜	70	75½	7
Missouri Pacific	76¼	41⅞	101⅜	46	98½	32	34	..
Do Pfd.	126⅞	105	149	105	145½	95¼	100	5
N								
New York Central	196½	156	256½	160	192¾	127½	135	8
N. Y., Chic. & St. Louis	146	121¼	192⅜	110	144	82	83	6
N. Y., N. H. & Hartford	82⅜	54⅜	132½	80⅞	128⅛	76⅛	88½	6
N. Y., Ontario & Western	39	24	32	8	17¼	5	5¼	..
Norfolk & Western	196½	175	290	191	265	195¼	209	12
Northern Pacific	118	92⅜	118⅞	75½	97	50¼	54½	5
P								
Pennsylvania	76⅝	61⅞	110	72½	86⅝	55¾	61½	4
Pere Marquette	154	124⅞	260	140	164½	98	†101¼	8
Pittsburgh & W. Va.	163	121¼	148¾	90	121¾	58½	†50	6
R								
Reading	119⅝	94¼	147¾	101½	141½	87¼	98¼	4
Do 1st Pfd.	46	41½	50	41½	50½	44⅛	†47	2
Do 2nd Pfd.	59⅝	44	60¾	43⅝	57	47	†47	2
S								
St. Louis-San Fran.	122	109	133¾	101	118⅞	63¼	66⅛	8
St. Louis-Southwestern	124⅛	67½	115¾	50	76¾	27	†30	..
Seaboard Air Lines	30½	11⅝	21¾	9⅛	12½	1	1⅛	..
Do Pfd.	38	17	41⅜	16¼	28	1¼	2½	..
Southern Pacific	131¼	117⅝	157½	105	127	96⅛	103	6
Southern Railway	165	139½	162⅛	109	136¾	62	66⅝	8
Do Pfd.	102¼	96⅝	100	93	101	84½	†82¼	5
T								
Texas & Pacific	194⅝	99½	181	115	145	105	106	5
U								
Union Pacific	224⅞	186⅛	297⅝	200	242¾	173⅛	190½	10
Do Pfd.	87¼	82½	85½	80	88⅜	82¼	†85¾	4
W								
Wabash	96¼	51	81⅜	40	67⅞	14⅜	17	..
Do Pfd. A	102	88½	104⅞	82	89¼	42	46	5
Western Maryland	54⅜	31⅜	54	10	36	10¼	13⅛	..
Do 2nd Pfd.	54⅞	33½	53⅛	14⅝	38	11½	†11	..
Western Pacific	38½	28¼	41⅞	15	30½	9½	10½	..
Do Pfd.	62½	52½	67¾	37½	53½	26	28	..

INDUSTRIALS AND MISCELLANEOUS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 11/19/30	Div'd $ Per Share
A								
Adams Express	425	195	34	20	37⅝	17⅛	20¾	1.60
Air Reduction, Inc.	99⅝	59	223⅜	77	156⅜	91⅝	105¼	4½
Allegheny Corp.	..	..	56½	17	35¼	7¾	9¾	..
Allied Chemical & Dye	252¾	146	354¾	197	343	185⅝	209	6
Allis Chalmers Mfg.	200	115⅛	75½	35⅛	68	32⅛	38¼	3
Amer. Agricultural Chem. Pfd.	79⅞	55⅝	73¾	18	41¾	20¼	21	..
Amer. Bank Note	159	74¾	157	65	97⅜	45⅛	53¼	3
Amer. Brake Shoe & Fdy	49½	39⅞	62	40½	54⅝	35	37	2.40
American Can	177½	70½	184½	86	156½	107⅛	117¼	5
Amer. Car & Fdy	111½	88¼	106½	75	82½	30	34	6
Amer. & Foreign Power	85	22⅝	199½	50	101¾	34⅜	41⅝	..
American Ice	46⅜	26	54	29	41⅞	27½	29½	4
Amer. International Corp	150	71	96¾	29¼	55⅝	17⅝	23	2
Amer. Mchy. & Fdry	180	129½	279¾	142	45	30¾	36	1.60
Amer. Metal Co., Ltd.	63¾	39	81¾	31½	51⅛	18⅛	21½	1
Amer. Power & Lt.	95	62¼	175¾	64¼	119⅜	47½	61⅛	1
Amer. Radiator & S. S.	191½	130½	55⅝	28	39¾	18	21	1
Amer. Rolling Mill	..	..	144⅝	60	100⅞	29	34½	2
Amer. Smelting & Refining	293	169	130¼	62	79⅛	45⅛	53½	4
Amer. Steel Foundries	70⅝	50⅛	79⅞	35¾	52¼	24	28⅝	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 11/19/30	Div'd $ Per Share
A								
American Stores	..	..	514	120	55⅛	38	39	2½
Amer. Sugar Refining	93½	55	94¾	56	69⅞	40	48⅝	5
Amer. Tel. & Tel.	211	172	310½	193¼	274¼	178½	190⅞	9
Amer. Tobacco Com.	184⅜	152	232½	160	127	99	105½	5
Amer. Type Founders	142¼	109⅞	181	115	141¾	95	100	8
Amer. Water Works & Elec.	76½	52	199	50	124⅞	58⅜	68	1
American Woolen	32⅜	14	27⅞	5⅞	20¼	5⅛	†5⅞	..
Anaconda Copper Mining	120¼	54	140	67¼	81½	33	37½	2½
Armour of Ill. Cl. A.	28½	11¼	18⅝	5⅛	8½	2⅜	3¾	..
Arnold-Constable Corp.	51¾	35¼	40⅞	6¼	13¾	4⅛	4½	..
Assoc. Dry Goods	75½	40¼	70¾	25	50½	25½	29½	2½
Atlantic, Gulf & W. I. S.S. Line	59⅞	37½	86⅞	32⅛	80⅜	45½	†45	..
Atlantic Refining	66½	50	77⅞	30	51⅜	18⅝	22⅞	2
Auburn Auto	..	..	85	40	263¾	60⅜	80	4
B								
Baldwin Loco. Works	285	235	66⅝	15	38	19⅜	24	1¾
Barnsdall Corp. Cl. A.	53	20	49⅛	20	34	12⅝	15	2
Beech Nut Packing	101¼	70⅜	101	45	70⅛	46¾	51¾	3
Bendix Aviation	..	..	104¾	25	57⅜	14¼	18⅜	1
Best & Co.	102	53¾	60⅞	25	56¼	31½	42	2
Bethlehem Steel Corp.	86⅜	51⅞	140¾	78¼	110¼	58½	65½	6
Bohn Aluminum	..	..	136¾	37	69	15¾	22½	1½
Borden Company	187	152	100½	53	90⅜	60⅛	68⅞	3
Borg-Warner	..	..	86⅞	26	50½	15	17¾	3
Briggs Mfg.	63⅝	21⅛	63⅛	8½	25⅜	12⅛	16⅜	..
Bucyrus-Erie Co.	48¾	24½	43¾	14	31⅞	13	15	1
Burroughs Adding Mach.	249	139	96⅞	29	51⅞	18⅜	22⅞	1
Byers & Co. (A. M.)	206¾	90⅛	192⅞	50	112⅜	37⅝	45⅜	..
C								
California Packing	82⅝	68½	84⅞	63½	77½	49⅜	52	4
Calumet & Arizona Mining	133	89	136¾	73½	89⅞	32	†36¼	..
Calumet & Hecla	47⅞	20½	61⅞	25	33⅜	8¼	11½	..
Canada Dry Ginger Ale	86½	54⅞	98¾	45	75⅜	34⅝	40⅜	5
Case, J. I.	515	247	467	130	362¾	103½	112	6
Caterpillar Tractor	..	..	61	50¼	79¾	29¾	34	4
Cerro de Pasco Copper	119	58½	120	52¼	65⅜	25½	30	4
Chesapeake Corp.	81⅞	62¾	92	42½	82½	41	46	3
Childs Co.	64	37	75⅞	44¼	67⅝	29½	31½	2.40
Chrysler Corp.	140½	54¾	135	26	43	14½	18⅜	1
Coca-Cola Co.	180½	127	154½	101	191⅜	133¼	156¼	6
Colorado Fuel & Iron	84½	52½	78½	27¾	77	21½	26½	1
Columbian Carbon	134¾	79	344	105	199	81¾	91¾	6
Colum. Gas & Elec.	140⅞	89½	140	52	87	32⅜	39½	2
Commercial Solvent	250¼	137⅞	63	20⅛	38	14⅛	18	1
Commonwealth Southern	..	..	24¾	10	20¼	7¾	10	.60
Congoleum-Nairn, Inc.	31½	22	35¾	11	19¾	7⅜	8¾	..
Consolidated Gas of N. Y.	170¼	74	183¼	80⅛	136⅞	81½	90¾	4
Continental Baking Cl. A.	53½	26½	90	25¼	52½	17⅜	22⅝	..
Continental Can, Inc.	128⅞	53	92	40½	71⅝	44½	50½	2½
Continental Motors	20½	10	28⅝	6⅛	8¼	2½	3½	..
Continental Oil	..	..	47½	48	30½	10	12	..
Corn Products Refining	94	64⅜	126⅝	70	111⅝	72⅜	81	4¼
Crucible Steel of Amer.	93	69⅛	121¾	71	93⅝	52	55¼	5
Curtiss Wright, Common	..	..	30⅛	6⅜	14⅞	3⅝	4	..
Curtiss Wright, A	..	..	37⅞	13¼	19⅜	5⅛	5⅜	..
Cudahy Packing	78¼	54	67⅞	36	48	38⅛	†40½	4
D								
Davison Chemical	68¾	34⅜	69⅛	21¼	43⅝	15	18⅜	..
Drug, Inc.	120⅛	80	126⅛	69	87⅝	63	66¾	4
Du Pont de Nemours	503	310	231	80	145¼	83	92⅞	4.70
E								
Eastman Kodak Co.	194¼	163	264¾	150	255¼	155¼	170	8
Eaton Axle & Spring	68⅛	26	76¾	18	37¼	11¾	16⅜	3
Electric Auto Lite	136⅛	60	174	50	114⅞	33	49½	6
Elec. Power & Light	49⅜	28¾	86⅝	29⅛	103½	37½	46⅞	1
Elec. Storage Battery	91⅛	69	104½	55	79¼	47½	57¾	5
Endicott-Johnson Corp.	85	74¾	83⅜	49¼	59⅝	38	43⅝	5
F								
Federal Light & Traction	71	42	109	60⅛	90¼	45¼	54¾	1½
Fox Film Cl. A.	119⅝	72	105⅝	19⅛	57⅜	16⅛	34	4
Freeport Texas Co.	109¼	43	54⅞	23¾	55½	29⅛	33⅝	5
G								
General Amer. Tank Car	101	60⅞	123½	75	111⅞	63	67	4
General Asphalt	94⅞	68	94¾	42¼	71⅛	28⅛	30½	3
General Electric	221½	124	403	168⅛	95⅜	44½	50⅝	1.60
General Foods	..	..	81¾	35	61¼	46⅛	52	3
General Motors Corp.	224¾	130	91¾	33½	54¼	31½	35⅞	3.30
General Railway Signal	123⅝	84¼	126½	70	106⅞	56	67	5
Gillette Safety Razor	123⅜	97⅛	143	80	106⅛	25¼	34½	4
Gold Dust Corp.	143¼	71	82	31½	47⅞	29⅝	33⅞	2½
Goodrich Co. (B. F.)	109¼	86½	105¾	38¼	58⅛	15¼	21¼	..
Goodyear Tire & Rubber	140	45⅛	154½	60	96⅞	35⅛	50⅞	5
Granby Consol. Min., Smelt. & Pr.	93	39⅛	102⅞	46¼	59⅞	12	18½	2
Great Western Sugar	38½	31	44	28	34½	10¼	10¾	..
Greene Cananea Copper	177¼	89⅜	200½	106	89	47⅝	60	..
Gulf States Steel	73⅞	51	79	42	80	20	†23	..
H								
Hershey Chocolate	72½	30¾	143⅞	45	109	70	86	5
Houston Oil of Texas	167	79	109	26	116⅞	33⅛	43¼	§10%
Hudson Motor Car	99⅞	75	92½	38	62⅞	18	26¼	3
Hupp Motor Car	84	29	82	18	26⅝	7¾	9½	..
I								
Inland Steel	80	46	113	71	98	58	62	4
Inspiration Consol. Copper	48⅞	18	66¾	22	30⅞	8	11⅜	..
Inter. Business Machines	166⅜	114	225	109	197⅛	131	147¾	6
Inter. Cement	94⅞	56	102¾	48	75⅜	55	60¼	4
Inter. Harvester	97⅞	80	142	65	115¾	54⅝	61	2½
Inter. Nickel	269½	73⅝	72¾	25	44⅜	16½	18⅝	1
Inter. Paper & Power "A"	86⅜	50	112	57	31⅛	6¾	7½	..
Inter. Tel. & Tel.	201	139½	149¼	53	77⅜	25⅛	29⅝	2
J								
Jewel Tea	179	77¾	84½	45	66½	38	45	5
Johns-Manville	202	96¼	242¾	90	148⅜	61¾	70	3
K								
Kennecott Copper	156	80⅛	104⅞	49⅜	62¾	24¼	29⅛	2
Kresge Co. (S. S.)	91¾	65	57⅞	28	36¾	26⅛	27	1.60
Kroger Grocery & Baking	132¼	73¼	122½	38¼	48⅛	18	22⅛	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS

	1928		1929		1930		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	11/19/30	Share
L								
Lambert Co.	136⅝	79½	157¼	80⅛	113	70¾	83⅝	8
Lehn & Fink	64⅞	33	68⅛	28	36	21	26½	3
Liggett & Myers Tob	122½	83⅛	106	80¼	113¾	79	86⅜	5
Loew's Inc.	77	49⅛	84½	32	95¾	42⅛	59⅞	3
Loose-Wiles Biscuit	88¾	44¼	88⅝	39⅛	70¼	47⅞	51½	2.90
Lorillard	46⅞	23¾	31½	14¼	28⅛	10⅞	13	..
M								
Mack Truck, Inc.	110	83	114¾	55⅛	88½	38½	45½	6
Macy (R. H.)	187¾	134	255½	110	159¼	97½	108½	3
Magma Copper	75	43¾	82½	35	52½	20	25⅝	3
Mathieson Alkali	190	117¾	72⅜	29	51⅜	32⅜	37¼	2
May Dept. Stores	113⅛	75	108⅛	45½	61⅜	33⅛	34¾	2
McKeesport Tin Plate	78⅝	62⅛	82	54	89½	61	72½	5½
Mont. Ward & Co.	156½	115¼	156⅞	42⅝	49⅞	16⅛	20¾	..
Murray Corp.	124¼	21½	100⅞	14⅞	25¼	9	14⅛	§2%
N								
Nash Motor Co.	112	80¼	118⅞	40	58½	24	29¾	4
National Biscuit	195¼	159½	236¾	140	93	68⅝	77	3.30
National Cash Register A	104¾	47¼	148¾	59	83½	28⅜	32	4
National Dairy Prod.	133½	64⅛	86½	36	62	38¾	44⅛	2.60
National Lead	136	115	310	129¼	189½	115	†120	8
National Power & Light	46⅝	21⅞	71¾	23	58¾	30	38	1
Nevada Consol. Copper	42⅜	17⅜	62⅞	23¼	32⅜	9¼	13⅛	1
North American Co.	97	58⅝	186¾	66⅛	132⅞	59½	73¼	§10%
O								
Otis Elevator	285½	147⅛	55	22¼	80⅜	48¼	57½	2½
Otis Steel	40½	10½	55	22¼	38⅞	13	15⅛	2½
P								
Pacific Gas & Electric	56⅛	43½	98¾	42	74⅞	44⅛	50¼	2
Pacific Lighting	85⅜	69	146½	58⅛	107⅞	55⅝	68⅛	3
Packard Motor Car	163	56¼	32⅛	13	23⅜	7¼	9⅜	.60
Paramount Publix	56⅜	47¼	75⅛	35	77¼	40½	46½	4
Penney (J. C.)	..	..	105¼	66	80	30	33⅛	3
Phillips Petroleum	53⅞	35¼	47	24¼	44¾	16⅜	20⅛	2
Prairie Oil & Gas	66⅝	59⅛	65⅝	40⅛	54	18½	20⅛	2
Prairie Pipe Line	..	..	65	45	60	24⅜	32⅛	5
Public Service of N. J.	83⅛	41⅛	137¾	54	123¾	66	76¾	3.40
Pullman, Inc.	94	77⅞	99¼	73	89⅝	54	62¾	4
Pure Oil	31¼	19	30¾	20	27¼	10¾	11⅛	..
Purity Bakeries	139⅝	75	148⅝	55	88⅞	46⅝	49	5
R								
Radio Corp. of America	420	85¼	114¾	26	69⅜	12⅝	17¾	..
Remington-Rand	36½	23⅛	57¾	20⅜	46½	14⅛	15¾	1.60
Republic Steel	94½	49⅛	146¼	62¼	79½	15½	20	..
Reynolds (R. J.) Tob. Cl. B	165½	126	66	39	58⅝	41½	45¼	3
Richfield Oil of Calif.	56	23½	49⅝	20	78¼	5⅞	6¾	..
Royal Dutch	64	44⅝	64	43⅛	56⅛	38⅜	40	3.22
S								
Safeway Stores	201¾	171	195¼	90⅛	122⅜	44⅛	51¾	5
Schulte Retail Stores	67½	35¾	41½	3⅛	13½	4¼	4½	..
Sears, Roebuck & Co.	197½	82⅛	181	80	100⅝	45	51⅞	2½
Shell Union Oil	39⅜	23¼	31⅜	19	25½	7½	8¾	..
Simmons Co.	101⅜	55¾	188	59⅛	94⅞	11	15¼	..
Sinclair Consol. Oil Corp.	46¾	17⅜	45	21	32	11⅜	13⅝	2
Skelly Oil Corp.	42⅝	25	46½	28	42	10¼	15	2
Standard Brands	..	..	44¾	20	29¼	14⅛	15⅞	1½
Standard Gas & Elec. Co.	84⅝	57⅞	243¾	73⅛	129¼	63	71⅝	3½
Standard Oil of Calif.	80	53	81⅞	51⅛	75	49¼	51¼	2½
Standard Oil of N. J.	59¾	37¾	83	48	84⅞	49	54⅞	2
Standard Oil of N. Y.	45½	28¾	48⅛	31¾	40⅜	25	26	1.60
Sterling Securities, A	..	..	38	8¼	20½	3⅝	4½	..
Stewart-Warner Speedometer	128⅛	77¼	77	30	47	15⅛	20⅝	2
Stone & Webster	..	..	201½	64	113⅜	43⅛	52¼	4
Studebaker Corp.	87½	57	98	38¼	47¼	18⅛	23¼	3
T								
Texas Corp.	74¾	50	71⅞	50	60½	35	38⅝	3
Texas Gulf Sulphur	82½	62⅛	85¼	42½	67⅜	47⅛	52½	4
Texas Pacific Coal & Oil	26⅝	12⅛	23⅞	9½	14½	5½	6⅛	..
Tide Water Assoc. Oil	25	14¾	23½	10	17¾	8	8⅞	.60
Timken Roller Bearing	154	112⅝	139⅝	58½	89¼	42½	48¼	3
U								
Underwood-Elliott-Fisher	98⅞	63	181¾	82	138	61	65½	5
Union Carbide & Carbon	209	136⅛	140	59	106⅜	54	62⅛	2.60
United Aircraft & Trans.	..	..	162	31	99	25½	28⅝	..
United Cigar Stores	34⅝	22⅞	27½	3	8½	4½	5	..
United Corp.	..	..	75½	19	52	15⅝	20	.50
United Fruit	148	131½	158½	99	105	64	67	4
United Gas Imp.	..	..	59⅝	22	49⅜	25	29	1.20
U. S. Pipe & Fdy.	53	38	243⅝	95	38¼	18½	28½	2
U. S. Industrial Alcohol	138	102⅛	55⅞	12	139⅜	56⅝	68	7
U. S. Realty	98⅝	61¼	119½	50⅛	75½	32	35½	3
U. S. Rubber	63¼	27	65	15	35	11	15½	..
U. S. Smelting, Ref. & Mining	71½	39⅛	72⅞	29⅞	36⅛	17½	22¾	1
U. S. Steel Corp.	172½	132⅜	261¾	150	198¾	138	147⅜	7
V								
Vanadium Corp.	111½	60	116⅛	37½	143¼	44⅝	54	3
W								
Warner Brothers Pictures	139¼	80⅞	64½	30	80¼	13⅝	20⅛	..
Western Union Tel.	201	139½	272¼	155	219⅜	131½	143½	8
Westinghouse Air Brake	57¾	42⅛	67¾	26⅛	52	31½	34	2
Westinghouse Elec. & Mfg.	144	88⅛	292⅝	100	201½	94½	103⅝	5
White Motor	43¾	30¼	53½	27¼	43	26	28	2
Willys-Overland	33	17¾	35	5¼	11	3¾	4¼	..
Woolworth Co. (F. W.)	235¾	175⅛	103⅞	52¼	72⅜	51⅝	60⅛	2.40
Worthington Pump & Mach.	55	28	137⅜	43	169	67¼	84	..
Y								
Youngstown Sheet & Tube	115⅝	83⅛	143	91	150¼	70	†75½	5

† Bid Price. § Payable in stock.

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Securities Analyzed, Rated and Mentioned in This Issue

Correction

On page 103 of the November 15 issue, reference to American Radiator & Standard Sanitary stated that estimated earnings for the current year would be approximately $1.50 a share. Subsequently, it was learned that earnings were officially estimated at about 75 cents a share.

"Adjustable Stock Ratings"

A Second Printing of the October 15th issue was required to take care of the flood of orders

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14 *Information as of November 1, 1930*

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS Rate	Payable	Record Date
1	Bethlehem Steel	BS	N	B1	Steel products	114,300,000	3,200,000	No	6.00	q-11/15	10/17
2	Bickford's Inc.	BIK	C	B3	Lunch-room chain	None	248,744	No	1.00	q-10/1	9/20
3	Bigelow Sanford	BHC	C	D2	Carpet & rug mfr.	5,000,000	314,379	No	11/1/30	div. pass	ed
4	Blauners [Phila.]	BLA	C	B3	Retail clothing	None	128,776	No	2.00	q-11/15	11/1
5	Blaw-Knox	BKX	N	B1	Construction steel	None	1,322,395	No	1.50*	q-12/2	11/17
6	Bliss, E. W.	BLS	C	B3	Machinery equipment	None	356,270	No	1.00	q-10/1	9/18
7	Bloomingdale Bros.	BBL	N	B3	Department store	None	300,000	No	....	....	....
8	Blue Ridge Corp.	BDG	C	.....	Management invst. trust	None	7,483,694	No	20 cents	paid 8/1	/30
9	Bohack, Inc., H. C.	BHK	C	B2	L. I. chain grocery	None	104,187	No	2.50	q-11/1	10/15
10	Bohn Aluminum	BHL	N	B2	Metal castings	1,902,000	352,418	No	1.50	q-10/1	9/15
11	Bon Ami 'A'	BM	N	B1	Scouring compounds	None	100,000	No	4.00*	q-10/30	10/15
12	Booth Fisheries	BF	N	C4	Fish packing	6,326,000	250,000	No	....	....	....
13	Borden	BDO	N	A1	Dairy products	None	4,041,602	25	3.00	q-12/1	11/15
14	Borg-Warner	BGW	N	C3	Auto accessories	None	1,230,769	10	3.00	q-10/1	9/15
15	Boone-Scrymser	BRS	C	C2	Oils & greases	None	40,000	25	2.00	sa-10/15	9/26
16	Bost. & Maine RR.	BMR	N	B3	New England railroad	146,000,000	395,051	100	4.00	q-10/1	9/13
17	Bourjois, Inc.	BOJ	C	C3	Perfume manufacturer	None	392,225	No	3/1/30 d	iv. passe	d
18	Brazil Trctn Lt & Pr	BL	C	A3	Brazilian utility	60,184,000	6,309,302	No	12/1/30	cash div.	omitted
19	Bridgeport Machine	BPM	C	B3	Oil & gas machinery	429,000	150,000	No	Paid $.2	5, 5/1/3	0
20	Briggs-Stratton	BGG	N	C3	Automobile accessories	None	300,000	No	2.00	q-9/30	9/20
21	Briggs Mfg.	BGI	N	C3	Auto bodies	None	2,003,225	No	....	....	....
22	Brill Corp. 'B'	BILB	C	C4	Railway & street cars	None	400,000	No	....	....	....
23	Br. Amer. Tobacco.	BQB	C	A1	Cigarettes, etc.	None	23,574,036	£1	J	....	....
24	Br. Empire Steel	BMP	N	B4	Steel manufacturer	30,253,000	....	No	....	....	....
25	Brockway Mtr Trk.	BKM	N	C3	Motor trucks	225,000	219,081	No	....	....	....
26	Bklyn & Qns Transt	BQT	N	D4	N. Y. C. traction	58,400,000	800,000	No	....	....	....
27	Bklyn. Edison	BE	N	A1	Bklyn. electric utility	42,400,000	900,000	100	8.00	q-12/1	11/14
28	Bklyn. Manh. Trnt.	BMT	N	D3	N. Y. C. traction	147,000,000	769,911	No	4.00	q-10/15	10/1
29	Bklyn. Union Gas	BU	N	A1	Supplies gas in Brooklyn	39,539,500	736,718	No	5.00	q-10/1	9/2
30	Brown Shoe	BW	N	B2	Shoe manufacturer	None	252,000	No	3.00	q-9/1	8/20

J—Dividends regularly paid at varying rates

Here is a full-size reproduction of two pages of data—typical of the 120 pages to be contained in each issue of our Monthly Adjustable Stock Rating Booklets. Note the handy size and the clear readable type.

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Explanations of ratings and additional foot notes on page 1 **15**

EARNINGS				PRICE RANGE				Recent Split-up or. Stk. Div.	Comment	
Annual		Interim		1929		1930				
1928	1929	1929	1930	High	Low	High	Low			
6.52	11.01	7.21*je* 6	4.46*je* 6	140¾	78¼	110¼	68⅝	....	May acquire Youngstown	1
1.12	1.51	0.98*se* 9	1.39*se* 9	27	14⅛	21	14¾	....	Earnings steadily increase	2
9.35	6.86	3.34*je* 6	1.41*je* 6	104	88	73	32	....	Financial position continues strong	3
4.56*ja*	4.85*ja*	N.F.	N.F.	60½	38	38	30	1½ % 5-30	Increased facilities should aid profits	4
1.13	2.16	1.05*je* 6	1.28*je* 6	64	30	41½	23	5 % 1-14-29	Industrial building activity aids earnings	5
2.52	5.30	N.F.	N.F.	57⅞	10	30⅞	13½	....	Company's earnings irregular	6
3.80*ja*	1.08*ja*	N.F.	N.F.	61⅞	22¾	29⅞	17	....	Earnings will probably be lower	7
N.F.	N.F.	N.F.	N.F.	29⅝	3⅛	15¼	3⅞	....	Liquidating value $12.72, 4/30/30	8
4.04*ja*	6.63*ja*	N.F.	N.F.	84	64⅛	85	63	....	Still expanding	9
9.10	7.43	7.03*se* 9	1.97*se* 9	136¾	37	69	16	....	Affected by automobile depression	10
12.84	14.55	11.26*se*9	10.44*se*9	89½	70	78	59½	....	Has fine earnings record	11
*d*0.10	*d*0.50	N.F.	N.F.	11¾	3	5	1	....	Outlook unpromising	12
4.54	5.50	N.F.	N.F.	100½	53	90⅜	60⅛	3 % 1-30	Expanding. Excellent prospects	13
10.85	6.09	5.05*se* 9	1.93*se* 9	143⅜	26	50½	15⅞	50 % 8-29	Earnings will reflect automotive trend	14
2.54	2.00	N.F.	N.F.	46½	25	25	11¼	....	Very strong cash position	15
8.34	7.22	6.04*se* 9	2.30*se* 9	136½	87	112	60	....	First dividend since 1913 paid April 1930	16
1.45	1.26	0.31*je* 6	0.24*je* 6	....	....	9⅞	5⅛	....	Earnings off. Competition keen	17
2.56	2.67	N.F.	N.F.	81⅞	31¼	55¼	20¼	2% 12/30	Dec. div. payable in stock	18
0.13	1.18	0.53*je* 6	0.91*je* 6	5½	1¾	6⅛	2½	....	Earnings warrant further dividends	19
3.55	5.00	4.18*se* 9	2.74*se* 9	43½	17⅜	35½	16¾	....	Automobile depression clouds outlook	20
2.15	1.21	1.21*je* 6	1.76*je* 6	63⅛	8½	25⅜	12⅛	....	Depends upon automobile industry	21
*d*1.39	*d*1.84	N.F.	N.F.	12½	1	5½	1½	....	Controlled by Am. Car & Foundry	22
1.31	1.27	N.F.	N.F.	32⅞	26	28¾	23⅜	....	Strong company. Progressive	23
D	D	N.F.	N.F.	6⅞	1½	..	..	....	Acquired by Dominion Steel & Coal	24
4.53	0.54	2.41*je* 6	0.60*je* 6	73⅞	14	22¼	4	....	Foreign business off sharply	25
....	0.78*je*	0.35*se* 3	0.23*se* 3	12¼	7	15⅞	10	....	B. M. T. controls	26
12.80	14.70	N.F.	N.F.	374½	300	..	..	....	Consolidated Gas holds over 98 % of stock	27
....	....	1.30*se* 3	1.61*se* 3	81⅞	40	78⅜	58⅜	....	Unification likely in near future	28
8.09	7.54	N.F.	N.F.	248½	99	178¼	106¾	....	Rate revision under discussion	29
4.60*oc*	5.78*oc*	1.65*ap*6	1.83*ap*6	51½	36	42	35	....	Current earnings improving	30

Check the simplicity of this presentation of the latest essential facts and figures for every important listed security. The information is the most practical and valuable obtainable and may be interpreted at a glance.

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Answers to Inquiries

(*Continued from page 176*)

$1.30 a share, although no interim reports have been issued. With evidence that the company has turned the corner, various rumors concerning a dividend have been circulated, but it is understood that the directors have not adapted any policy in regard to a payment as yet. However, there are possibilities of a dividend next year, provided earnings continue to expand. The new cigarette will not compete with the "Old Gold" and will not be advertised as extensively. We suggest that you hold your shares, as an interesting longer term speculation in the tobacco industry.

PULLMAN, INC.

What are the nearby prospects for Pullman? I suppose the $4 dividend is safe, but I am chiefly interested in market appreciation, for I have more than $4,000 tied up in 50 shares bought in January of this year. Is Pullman's acquisition of Standard Steel Car and Osgood Bradley properties proving a profitable move?—E. J. F., New Brunswick, N. J.

Pullman, Inc., through subsidiaries is engaged in furnishing railroads throughout the country, without competition, sleeping and other special car services, in addition to being an important manufacturer of all types of passenger and freight cars. During the first quarter of the current year the company acquired Standard Steel Car Co. and Osgood Bradley Co., thereby further strengthening its position in the railroad equipment field. Despite the fact that profits from the carrier division for the first nine months of the current year declined from corresponding 1929 returns, manufacturing operations during the period surpassed those of last year by a wide margin, enabling the company to show an increase in net income for the period. Net earnings for the nine months ended September 30, 1930, amounted to $16,627,080 or $4.29 a share on 3,875,000 common shares, compared with $13,882,081 or $4.11 on 3,375,000 shares for same months of 1929. Although some curtailment of manufacturing activity is likely to occur during final quarter of the year, transportation revenues during last three months should more closely approximate 1929 figures. Thus, full 1930 earnings should compare favorably with 1929 returns when per share income amounted to $4.23 on a smaller capitalization. The company's financial position at the close of last year was strong with current assets equal to more than 3.7 times current liabilities, while net working capital amounted to $70,469,607. Although the company's shares at present levels are reasonably priced in relation to anticipated 1930 earnings, higher quotations must necessarily await betterment in railroad outlook.

GENERAL MILLS, INC.

It was encouraging to see the price of General Mills common hold up so well during the recent liquidation. In view of this I am tempted to average on 500 shares purchased in April at 5%. Would you recommend doing so? Is the $3 dividend secure?—F. R. D., Berkeley, Calif.

Although no earnings reports have been issued by General Mills, Inc., thus far in the current fiscal year, a moderate increase in income is looked for despite the business slump. General Mills is the leading flour milling company in the world, carrying a wide variety of package foods in addition. The company's earnings power is not affected by the wide fluctuations in wheat quotations as contracts are protected by hedging on grain exchanges. This operation removes the risk from the manufacturing and merchandising of flour. Organized in 1928, General Mills, Inc., showed a gain of 32% in net sales in the second year of consolidated operations which ended May 31, 1930. Net income for the period was equivalent to $4.83 per share, as against $4.57 in the previous fiscal year. The income gain did not keep pace with the rise in sales, since economies of operation could not be effected in such a short period. However, earnings for the current fiscal year are expected to show the benefits from combined operations. Although marked near term price appreciation is not looked for, the longer term outlook for General Mills is bright. We would favor averaging on any recession, as the dividend appears to be reasonably secure.

S. H. KRESS & CO.

Can you give me any figures as to the earnings on S. H. Kress common so far this year? I was unfortunate enough to buy 25 shares last year at 97. Is the stock likely to recover to this level in the next sustained market advance?—J. J. M., Battle Creek, Mich.

S. H. Kress & Co. occupies a prominent position in the 5-10-25 cent chain store field, operating 211 units located largely in the southern and southwestern states. The management has been conservative in its expansion policy, adding only ten stores to its chain during each of the last two years, while thus far during the current year new openings have numbered eight. Thus we find the company void of unprofitable units during the present period of curtailed business activity and declining commodity prices. It is interesting to note in reviewing company's record of operations, that dollar volume of sales increased every year since 1921, while profits registered annual increases in each year, except 1924, during the same period. The company reported net income for the twelve months ended December 31, 1929, equivalent to $5.84 a common share, compared with $5.64 a share in 1928 and $5.14 in 1927. Financial position at the close of last year was strong; current assets totaling $16,480,758 of which $5,191,030 was cash and $11,060,909 consisted of inventories, against current liabilities of $2,072,225, leaving net working capital of $14,408,533. Although no earnings statements have been published for current year, profit margin is believed to have been maintained, thus far, close to 1929 levels, and since sales for the first ten months were 2.6% above those for corresponding 1929 period, full 1930 earnings should compare favorably with last year results. While the company's shares cannot be regarded as undervalued at present levels, the issue, in our opinion, is suitable of being included in a well diversified list of holdings.

COOPER-BESSEMER CORP.

How do you rate Cooper-Bessemer common under present conditions? I have 25 shares bought in May at 47. Shall I average now? Why is this stock selling to yield over 8%, when its dividend has been more than earned in the first nine months of this year and unfilled orders are running far ahead of last year?—C. L. S., Rochester, N. Y.

Organized in 1929 as a consolidation of the Bessemer Gas Engine Co. and the C. & G. Cooper Co., two old established enterprises, the Cooper-Bessemer Corp., manufacturer of oil and gas engines and compressors, has made rapid strides in the past year. Earnings for the nine months ended September 30, 1930, were equivalent, after allowing for dividends on the 99,000 no par shares of $3 preferred stock, to $2.54 a share on 211,160 junior shares outstanding. Operations have been conducted at a high rate of late, and unfilled orders on the books at the close of September aggregated $2,158,421 as against $1,039,000 a year earlier. The company's engines and oil compressors are used by the leading oil units and companies engaged in the transmission of natural gas through pipe lines. The rapid expansion of the natural gas industry and its bright prospects are

important factors in the future of Cooper-Bessemer. The balance sheet issued at the close of September showed current assets of $7,173,570 against current liabilities of $1,673,745 although inventories were large, totalling $5,117,830. The dividend of $0.50 quarterly is being covered by a good margin, but the stock does not appear to be an outstanding bargain at this time. The stock does not carry the popular appeal of the more seasoned issues and although it is sound, we would prefer to await a further recession before averaging. Your commitment made at 47 might be held as a longer term speculation.

SINCLAIR CONSOLIDATED OIL CORP.

Is Sinclair Oil common a good speculative holding under 15? Do you think that Sinclair's expansion program will be retarded by its failure to acquire Prairie Oil & Gas and Prairie Pipe Line? I assume Sinclair's $2 dividend is likely to be passed but feel its present price has fully discounted this action. What is your judgment?—V. L. M., Canton, Ohio.

Sinclair Consolidated Oil Corp. occupies a dominant position in the petroleum industry, as a well rounded independent enterprise. Although operations during the current year have been curtailed, in compliance with proration agreements, the management has been active in strengthening its position in the industry. Thus far, it has successfully negotiated the sale of its half interest in Sinclair Crude Oil Purchasing Co. and Sinclair Pipe Line Co. to Standard Oil of Indiana for $72,500,000 and has acquired control of Pierce Petroleum Corp. In addition Sinclair Refining Co., a subsidiary, has acquired 59 marketing units, operating 1,511 bulk distributing plants, service stations and dealer outlets, located in 17 states. Failure of the company to acquire Prairie Oil & Gas Co. and Prairie Pipe Line was attributed by those close to the situation, to sharp declines in market value of Sinclair stock, necessitating the exchange of more stock than the company would be willing to give. It should be noted at this point, however, that while company's expansion program has suffered a temporary setback, its financial condition has been improved to the point where net current asset position is the strongest in the company's history. Reflecting curtailed activity and lower prices received for products, earnings during the first six months of this year declined sharply to $0.49 a share from $1.03 reported for the initial half of 1929. Late bulletins indicate that no improvement is anticipated for the last half, and that full 1930 year profits will approximate $1 a share. It is

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MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, November 10	84.35	171.60	103.94	155.34	148.33	4,426,250
Tuesday, November 11	84.47	173.30	104.21	154.32	148.99	3,334,020
Wednesday, November 12	84.36	177.33	104.33	154.90	147.87	3,420,290
Thursday, November 13	84.52	180.38	106.43	159.62	153.14	3,451,450
Friday, November 14	84.77	184.03	107.80	161.21	156.23	2,640,690
Saturday, November 15	84.88	186.66	108.67	163.02	159.70	1,710,340
Monday, November 17	84.80	180.50	106.91	161.12	156.64	2,137,770
Tuesday, November 18	84.62	183.42	106.62	159.14	154.68	2,023,050
Wednesday, November 19	84.66	187.57	108.31	162.38	157.79	2,481,410
Thursday, November 20	84.68	187.09	109.12	164.25	160.97	2,676,740
Friday, November 21	84.66	190.30	112.17	165.68	160.66	2,244,610
Saturday, November 22	84.56	188.04	110.91	164.80	162.33	988,490

surprising, therefore, in view of the clouded outlook for the industry generally over the medium term, that dividends on the common were recently reduced to $1. While prevailing quotations for the issue appear to discount present conditions, we believe that fresh purchases should be deferred pending a change for the better. Retention of present commitments, on the other hand, is justified, where one is prepared to exercise a degree of patience.

PHILLIPS PETROLEUM CO.

I am holding 50 shares of Phillips Petroleum common at 42. After earnings of $2.60 had been reported for the first nine months of this year, I intended to average when I read that the minority stockholders of Independent Oil & Gas Co. were taking legal action to prevent the planned consolidation with Phillips. At the same time Phillips sank to a record low. What is your opinion as to purchasing more of this stock under the circumstances?—E. P. H., Tacoma, Wash.

Although earnings of Phillips Petroleum Co. during the current year have been adversely affected by curtailed activity in the oil industry and low prices for petroleum products, the company's natural gas operations have offset, to a degree, losses in revenues from its oil business. Moreover, the company's expansion program, enveloping additions to its oil and natural gas properties bids fair to augment earning power during ensuing years. An important step in its program was consummated by the recent acquisition of Independent Oil & Gas Co., a small, but well rounded unit in the industry. The company should also benefit from its participation in the organization of Central States Natural Gas Corp. when that company has completed its pipe line from Texas to Chicago, which is now under construction. In addition it is constructing, through a newly formed subsidiary, a pipe line from Texas to Kansas City and St. Louis. While the above program augurs well for the long term outlook, results of operations during the current year, should not be overlooked. Net income for the nine months ended September 30, 1930, amounted to $2.27 a share on 3,367,366 common shares outstanding at the end of the period. Since earnings data for corresponding period of 1929 are before depreciation and depletion, no per share comparison is available. However, results before these charges for the first three quarters of 1930 amounted to $16,363,661 against $15,029,588 for the corresponding months of 1929. Although full 1930 results will fall short of those reported last year, present dividend rate of $2 a share in cash will be covered by a fair margin. The shares, at present levels, appear well deflated, and commend themselves as a speculative medium for holding over the longer term.

RADIO-KEITH-ORPHEUM CORP.

Radio-Keith common seems like a very attractive purchase to me around 21. Do you advise it for a reasonable pull? Is it possible that it may go on a dividend basis in the near future, especially in view of the large stock interest held by the Radio Corp.?—A. G. J., Scranton, Pa.

Earnings of the Radio-Keith-Orpheum Corp. showed a sharp rise in the first three quarters of the current year, profits totalling $3,052,571 after depreciation, interest and federal taxes, but before subsidiary preferred dividends, as against $1,637,900 in the first nine months of 1929. This was equivalent to $1.28 per class A shares, before dividends on the preferred stock of subsidiaries, against $0.55 a share on a smaller capitalization in the corresponding period of 1929. The chief factors contributing to the increase in earnings were a rise in business, and success in effecting operating economies, although the facilities of the company have grown rapidly of late. Earnings for the full year 1930 may reach $2 a share. Radio-Keith-Orpheum produces and distributes motion pictures and owns or leases more than 200 theatres. The acquisition of additional theatres is planned but expansion, as in the past, will be conducted only along conservative lines. It has been reported that Radio-Keith-Orpheum is considering plans to take over the operation of the theatres of the Shubert Theatre Corp. in key cities, although the rumor is unconfirmed. The company is in a favorable financial position, but early inauguration of dividends on the class A stock cannot be expected because the management is working to build up a strong surplus. The issue is admittedly speculative but it appears to be selling in line with current earnings. We would not oppose a speculation commitment on any set-back for retention over the longer term.

NEW YORK, NEW HAVEN & HARTFORD R. R. CO.

Yielding around 7% New Haven common appeals to me for spec-vestment. With estimated earnings of $5.85 up to the end of October, the annual $6 dividend seems safe. Would you recommend its purchase at current levels?—B. B. R., St. Paul, Minn.

A brief review of earnings record of New York, New Haven & Hartford railroad since 1923 reveals one of the greatest financial recoveries in railroad history. On the verge of receivership in 1923, the company has risen to a strategic position, from the standpoint of merger prospects, with a very promising outlook. Such recovery is the result of whole-hearted co-operation of bankers, shippers, public and employees with the ever aggressive management. From a deficit of $3,000,000 in 1923, operations have improved consistently each year to 1929 when net income amounted to $22,296,268. Moreover, despite the fact that traffic volume during the first ten months of 1930 has been considerably below 1929 levels, the efficient management has been able to offset to a degree such loss in revenues by effecting operating economies. Net income for the month of October was estimated by President Pelley at 90 cents a common share, thus bringing ten months' earnings to the equivalent of $5.85 or within 15 cents of the full year's common dividend requirements. While operations during November and December are likely to prove less profitable than a year ago, in view of back mail pay included in earnings for those months of 1929, full year results should approximate $8 a common share compared with $11.72 a share for 1929 and $8 a share for 1928. We look upon the company's shares as attractive on an income basis, as well as offering interesting speculative possibilities over the longer term, and would not be opposed to moderate commitments during market weakness.

Profit Possibilities in Warrants

(*Continued from page* 162)

mon stock is at present selling around $38 per share and it is perfectly clear that if an equity is purchased at this price, it becomes diluted should the equivalent be issued by the company at a lower price and also, the larger the number of warrants outstanding, the greater the possible dilution. For the year ended June 30, 1930, American & Foreign Power Corp. earned on the common stock $4,500,000, equivalent to $2.73 per share. Suppose all the company's warrants outstanding had been converted into common stock prior to the publication of this statement. The company would then have had to show earnings on the common of roughly $23,700,000, an increase of 427%, if the equivalent of $2.73 per common share was to be maintained. It is true that some $175,000,000 would have been received in cash by subscriptions, but, of course, it would have been impossible to make this large sum immediately productive to this extent.

The prospective buyer of warrants

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New York Curb Exchange

IMPORTANT ISSUES

Quotations as of November 20, 1930

Name and Dividend	1930 Price Range High	1930 Price Range Low	Recent Price
Aluminum Co. of Amer.	356	150	163
Amer. Cyanamid "B"	37	10	11⅝
Amer. Gas Elec. (1)	157	74⅛	92
Am. Lt. & Traction (2½)	89¼	40	47
Amer. Superpower (.40)	39½	10⅛	13⅝
Assoc. Gas Elec. "A" (2.40)	46½	16⅞	21
Central States Elec. (.40)	39¾	8	11⅞
Cities Service (.30)	44¼	16	20⅜
Cities Service Pfd. (6)	93⅞	87⅛	89¾
Cons. Gas of Balt. (3.60)	136⅞	82⅝	88
Consolidated Laundries (1)	16	10	13¼
Deere & Co. (1.20)	162⅝	46	52⅞
Durant Motors	7	1⅜	1⅝
Elec. Bond Share (6 stk.)	117⅞	38⅝	48⅝
Ford Mot. of Canada A (2.10)	38½	18⅛	21⅛
Ford Motors, Ltd. (.37½)	32½	10¼	15½
Fox Theatre A	17⅝	2⅛	6
General Baking	4⅝	1¼	1⅞
General Baking Pfd. (3)	54½	27	32⅞
Gen. El. Ltd. rcts, Eng. (.50)	14	9⅝	11⅛
Glen Alden Coal (6)	121½	53	60
Goldman Sachs T.	46⅝	7⅛	9⅝
Gulf Oil (1.5)	166⅞	75	80⅝
Humble Oil (2)	119	69¼	70
Hygrade Food Products	15	2⅝	4¼
Insull Util. Invest. Inc. (10% stk.)	71	36	43¼
Insur. Securities Inc. (.70)	23	7⅛	7⅞
Internat. Pet. (1)	24	13⅜	14⅝
International Utilities B.	19½	5	7½
Lefcourt Realty (1.85)	25½	11	14½
Lion Oil Refining (2)	29	9⅛	†8⅜
Lone Star Gas (1)	55⅞	20⅛	25⅛
Metro Chain Stores	30	4	4⅛
Mid. West Util. (8% stk.)	33	16⅝	21
Mountain Producers (1.60)	12⅛	5⅜	5⅞
National Fuel Gas (1)	41⅜	23¾	26
New Mex. & Arizona Land	7¼	2	†2
Newmont (4)	141⅞	50	56⅝
Niagara Hudson Power (.40)	24⅛	9⅝	11¾
Novadel-Agene (3¼)	39⅞	22⅝	†39½
Pennroad Corp. (.20)	16⅛	6¼	7⅛
Pittsburgh Plate Glass (2)	59¼	39	40
Safety Car & Heat. (8)	147	106	†102
Salt Creek Producers (2)	15¼	5¼	7
Standard Oil of Ind. (2½)	59⅞	35⅛	36⅞
Transcontinental Air Trans.	10⅞	5⅞	5⅞
Trans Lux	13⅛	4¼	8
Tubize Chatel "B"	22¾	3⅛	4¾
Ungerlieder	36⅛	13	†24½
United Founders (2/35 sh.)	44	9	10
United Lt. & Pow. A (1)	56	24	28¼
United Lt. & P. cv. Pfd. (6)	119⅝	96	99½
U. S. Gypsum (2.10)	58	35⅛	42¼
Utility & Indus. Corp.	23¾	7	8⅝
Utility Pow. & Lt. (1)	28	8⅛	10⅛
Vacuum Oil (4¼)	97⅞	59⅛	64⅛

† Bid Price.

would do well to confine his commitments to a very small percentage of his funds as although a great profit is possible the operation is certainly risky and requires a large degree of patience. Also, those issues selling at a low dollar price and which represent an unlimited option would appear, generally speaking, to be the most desirable as the possible decline is very limited. On the other hand, if warrants command even a fairly high price it is suggested that a smaller quantity of the stock itself be bought.

There are two other companies having warrants outstanding, the first of which is mentioned as an example of the limited warrant. Middle West Utilities Co. has an issue of "A" warrants outstanding, giving one the right to purchase an equal number of common shares at $40 a share up to December 31, 1931. The warrants are currently quoted around $1.50 on the New York Curb Market and the common stock around $18. The same company also has an issue of "B" warrants outstanding which are peculiar in so far as the right to subscribe is between January 1, 1931, and December 31, 1932, at $45 per share.

Commonwealth & Southern Corp. has also issued a large number of warrants giving one the right to subscribe to an equal number of common shares, unlimited as to time, at $30 per share. These warrants are currently quoted around $1.50 against $8 for the stock itself.

Fitting the Investment to the Investor

(*Continued from page 171*)

privilege. Under normal circumstances, the difference remains a purely theoretical one. In times of stress or local real estate difficulties, the distinction may represent the difference between a "frozen" investment and one readily convertible for cash.

All of the above has to do with the usual form of installment payment shares of the building and loan association. Another important type of security which they offer is the "fully paid" certificate, "paid-up" certificate or any of the other names which are used to designate an investment payable at a fixed maturity or on demand. The investment in this case is usually made in a lump sum and not in monthly payments. This type of building and loan investment compares more nearly with the ordinary short term bond or savings bank deposit in the sense that it is a fixed obligation and carries a stated rate of interest.

Except for the convertibility for cash on demand or within a comparatively short term, the fully paid certificates have the same security as the monthly payment shares. The latter is a factor that does not exist in the case of the ordinary common stock or bond investment of a joint stock corporation. In security, therefore, the monthly payment certificate is not "stock," notwithstanding the name "shares," but a contract to refund monthly payments plus the interest that they have earned over the period of the contract. It is an ideal medium of long term investment for regular sums, which are to be invested safely but at a better rate of return than would be available in other equally "safe" mediums.

Governments As Santa Claus

(*Continued from page 148*)

tendency for the rate of increase in the population to "slow up" there must of necessity be danger in steadily mounting municipal expenditures.

Inability of the financial markets to absorb public bonds may, happily, check the borrowing zeal of governments. The City of New York recently asked for bids on $75,000,000 50-year 4% bonds and even after this offering had been reduced to $50,000,000 only one bid for the whole amount was received. Although the inability or disinclination of the bond market to absorb "municipals" puts an ultimate limit upon governmental expenditures, it is not an unlikely supposition that, due to the real sympathy for those without work and the general desire to manufacture prosperity, reasonable limitations will frequently be exceeded, resulting in burdensome taxation always detrimental to business and loading future generations with charges that will aggravate their own relief and fiscal problems.

Trade Tendencies

(*Continued from page 174*)

unlikely to be placed before the close of the year.

The recent announcement of a minimum price of $1.60 for bars, shapes and plates, by a subsidiary of the United States Steel Corp., has been hailed as a constructive step in the direction of price stabilization. The success of these efforts will do much to remove the uncertainty in the price structure which has been felt by consumers. The price of pig iron has undergone a further downward revision but recent heavy scrap prices have been somewhat higher and the composite price of finished steel, compiled by *Iron Age*, remains unchanged.

Building and Loan Associations

We will be glad to answer questions regarding Building and Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrant an opinion. Address, Building & Loan Ass'n Departmet, c/o The Magazine of Wall Street, 42 Broadway, New York City.

Texas

Colorado

Arizona

Missouri

Tennessee

Florida

Facts, News and Comments

E. B. Reeser, president of the Barnsdall Oil Co., of Tulsa, Oklahoma, was re-elected president of the American Petroleum Institute at the eleventh annual meeting of that association held recently in Chicago. L. P. St. Clair of the Union Oil Co. of California was re-elected vice-president-at-large, and W. R. Boyd, Jr., of the American Petroleum Institute was re-elected executive vice-president.

* * *

General Foods Corp. finds in a recent study that one-fourth of all the money spent by the American people goes for food—including food stuffs purchased and consumed in restaurants, lunch counters and other places, together with that raised and eaten on farms—and reaches the amazing total of nearly 24 billion dollars. The company also makes the interesting statement that branded foods date back 150 years to the early products of the Walter Baker Company.

* * *

Frank H. Woods, chairman of the Addressograph International Corp., will become chairman of the board of the proposed Addressograph - Multigraph Corp. Henry C. Osborn, president of the American Multigraph Co., will become chairman of the executive committee of the new company, and J. E. Rogers, president of the Addressograph International Corp., will become president. The consolidation will bring together two of the oldest companies in the office appliance field and will allow the better coverage of fields and territories both from a sales and service standpoint and the extension of branch offices.

* * *

J. Gilmore Fletcher, managing director of the Horace E. Dodge Boat & Plane Corp. of New York and Newport News, Va., sounds a cheerful note for the future of sport and, incidentally, business. "General motor boating conditions," says Mr. Fletcher, "are most propitious for 1931, and this company, the largest in the industry, is undertaking no retrenchment program. On the contrary, it is expanding in every way in preparation for the greatest season this fast growing sport has ever experienced."

* * *

The Federal Reserve Bank of Boston recently announced the re-election of Edward S. Kennard of Rumford, Maine, and A. Farwell Bemis of Boston, as Class A and Class B directors respectively, for three-year terms, beginning on January 1, 1931.

First National Stores

(Continued from page 167)

warehouse located on the outskirts of Boston. This is one of the largest warehouses in the world and houses the company's administrative, manufacturing and distributing facilities and includes a coffee roasting plant, a soft drink bottling plant, the largest bakery in New England, cold storage facilities, printing plant and garages.

For the twenty-eight weeks ending September 27, last, the company reported sales 6.5% larger than for the similar period of 1929. When it is considered that prices during that period were materially lower than last year, the actual increase becomes substantially larger than is indicated by the dollar value of sales. The margin of profit was only slightly impaired by the heavier distributing costs and earnings for the six months ending September 27 were equivalent to $2.53 a share on 820,700 shares of common stock outstanding at the present time. In the first six months of the 1929 fiscal year, profits were equivalent to $2.93 per share on 774,898 shares. For the full year earnings should approximate $5 for the common, comparing with $5.48 earned in the fiscal period ended March 31, 1929.

Preceding the common stock are 50-000 shares of preferred stock and funded debt of $1,500,000. Financial position last March was quite satisfactory and it is obvious that the present dividend of $2.50 represents but a conservative portion of average earnings. Obtainable at levels near 40 the shares yield close to 6% and this price also appears to be a rather modest appraisal of the company's earning power and excellent record.

Again the Russian Bear "Walks Like a Man"

(Continued from page 147)

the government is the sole exporter.

Of course, it is to the interest of the Soviets to get as high prices as possible in view of the enormous need of foreign producers' goods and certain raw materials. But those goods must be obtained, if the five-year plan is to succeed, at any cost—to the Russian people and the foreign producer who happens to be in the way of the program. Doubtless, the Soviets will welcome any incidental contribution their upsetting of foreign markets may make, through economic distress of other peoples, to the furtherance of their international revolutionary propaganda, but for the present they may be absolved from the charge of dumping their products for either commercial or political ulterior ends. They need the money too badly. But they need it so badly, and they have such an uneconomic price-cutting range, that they will go as far as they dare—which is as far as the favor they gain with the foreign consumer is able to offset the disfavor they gain with foreign producer.

What the Russians Say

In their determined efforts to interest American producers in coming to their assistance, without arousing too great opposition from other producers, and the public in general, Soviet business representatives assert, with much reason, that the economic relations of the United States and Russia are largely complementary, rather than mutually antagonistic. We are, they point out, for instance, large importers of pulp and pulpwood. Why not let Russia provide them—especially as this can be done without uneconomic price-cutting? We need large quantities of manganese, which Russia can deliver cheaply and at the same time at a "normal" price, whereas domestic manganese is costly, because of inferior content of the ores. And so on. They see no reason why we cannot greatly increase our purchases from Russia, without injury to ourselves, thereby decreasing the 7 to 1 balance of trade against them, and enabling them to increase their purchases from us.

Through the Amtorg and other agencies the Soviets are carrying on an extensive commercial propaganda in which these and other arguments for extension of Russo-American trade are ably and invitingly set forth. As to the argument that expansion of trade between the two countries simply means that America is hastening, through its contributions of machinery and technique, the arrival of Russia at a point where it will need neither producers' nor consumers' goods from the United States and will be in a position to compete with American products in neutral markets, Soviet representatives give a simple answer. They say that more imported machines of one kind will mean later more machines of other kinds, and that when the industrialization reaches a certain point, the standard of living in Russia will be greatly raised and the present sacrificial restrictions on consumers' goods will be relaxed and their people will become a great factor in world trade—in which they now cut but a sorry figure, it being but one-sixty-

fifth of that of the whole world, and only a third of what it was under the Czars. It is significant of the grip of the Soviet government on the economic situation and of the deprivations the people are undergoing, that four-fifths of the imports are producers' goods and raw materials.

The Other Side

But there is another side to Russian competition with American goods, a serious side even now. While it is true that trade between the two countries is now largely along complementary lines, speaking broadly, it is in minor ways already causing distress to some American industries. American pulpwood producers are complaining of Russian competition; domestic manganese producers are complaining, naturally, if not economically justifiably. American producers of gelatin, sausage casings, matches and some other products say that they can not meet Russian prices.

Granting that by means of tariff laws and embargoes the American market can be protected against the unfair competition whose possibilities are almost unlimited, there remains the indirect effect of such competition in other markets. The European market for American lumber can, and probably will be destroyed, for there the Russians are selling without regard to economic cost, which of course must rule for the non-Russian producers. The same condition already prevails in canned goods; rubber goods of some sorts, including automobile tires; and some agricultural products, especially wheat.

While the Russian city people stand in long queues waiting for a chance to buy a limited ration of sour black bread, Russian wheat is being dumped in France, England and other countries at prices that are upsetting world markets and working great injury to wheat farmers throughout the world. The exportation of Russian wheat is only beginning now in considerable quantities, for the first time since 1913. The industrialization program calls for the wholesale rationalization and mechanization of agriculture and an enormous growth of wheat exports—with almost unlimited possibilities of price cutting, in view of the difference between gold roubles for which the export wheat is sold and the paper roubles the Russian peasants receive for it from their all-powerful government. The outside world will have to reorganize its trade regulations to meet such competition. France is already meeting the dumping of Russian wheat by fixing the amount that may enter.

A great American "international banker" when asked whether the United States should continue to develop trade with Russia replied: "Certainly, so long as there is profit in it for us." Just now the Russian export trade is exceedingly profitable for us. The prices are good and the credit risks small, under the conditions imposed. Moreover, it has been very helpful in the present period of business depression.

A deeper question than that of present profits on the goods sold to Russia is that of a certain degree of uneconomic competition at present, trifling at home but important abroad, and the sinister possibilities of such competition, should the five-year and subsequent programs succeed. It may be freely predicted that such competition will be the rule in that event. When Russia is well fortified industrially at home it will be in a position to use its exports at will as an incidental, if not primary, means of promoting its grandiose scheme of Marxing the world. Political confusion and revolt in other countries could be stimulated by the economic distress wrought by ruthless commercial penetration, and at the same time the masses that may be distressed might be offered a realistic proof of the efficiency of collectivism. Of course, the "international banker" believes that eventually the Russian experiment will crack up, and that in the meantime it is good business for American manufacturers to take all the Russian orders they can safely fill at a profit, and to multiply them by importing whatever Russia can offer at an attractive price.

But what of the future, if by our help the Russian program shall achieve victory? Doubtless the innumerable American industries, including the greatest, that are now supplying engineers, technicians, plans, machinery, and counsel to the side of that victory, have fully weighed the question.

Among the First in Recovery

(*Continued from page* 159)

ment in an effort to regain some of the lost markets for natural nitrates. The synthetic product will undoubtedly have to meet keen competition in the near future, while at the same time the farmer demand for fertilizer, due to unsatisfactory conditions generally for agriculture, is unlikely to show any phenomenal increase.

The rubber industry uses tremendous quantities of chemicals. In fact the value of the chemicals going into the average automobile tire at the present time will probably be 20 or 25 per cent of the total cost of that tire. The condition of the industry, however, is not good and although basic and of major importance, the situation is such as to react somewhat unfavorably upon the demand for certain chemicals. Finally, the near term outlook for alcohol is beclouded. Producers have had to contend with a high price level for molasses, the raw material, while the price of the finished product has steadily declined. This has resulted in a narrowing profit margin and stocks on hand have risen until they are now very considerably above those of last year.

Despite these isolated instances of unfavorable conditions, the chemical industry, as a whole, is firmly grounded and the great strides recently made forecast the possibility of entirely new and separate industries springing up, which will be an end unto themselves, rather than a source of raw materials for others. The hydrogenation of petroleum, a process which would be explained by the layman as "taking a barrel of oil to pieces, adding hydrogen to suit and then putting the pieces together again," is developing into a very important and distinct industry. The process, applied to vegetable oils for some years, now enables the refiner of crude to produce from his oil, gasoline, kerosene and lubricants in the exact proportion to the market demand. This is one example where the acceleration of chemical reactions by means of great pressure and temperature has successfully passed the experimental stage and the further solving of extremely complex engineering problems, attendant to these unprecedented pressures and temperatures doubtless has limitless possibilities.

The chemical industry can then be said to be doubly favored. Not only will it be one of the first to recover from our present industrial depression, due to the utter dependence of other industries upon its products, but scientific progress may be such as to make certain sections of it prosperous, regardless of general conditions.

This Question of Stock Market Control

(*Continued from page* 151)

In an effort to keep posted on the advices of member firms to their customers, the Stock Exchange maintains a continuous supervision and censorship over all circulars, advertisements and market letters which are distributed to the public. Commendable as this practice is it still leaves many channels for the distribution of false rumors and bear tips by interests outside of the sphere of influence of the

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STANDARD OIL ISSUES
We have available for distribution descriptive circular on all the Standard Oil issues. (219).

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to both large and small investors. (225).

THE BACHE REVIEW
A summary of the general financial and business situation, published every week by J. S. Bache & Co., 42 Broadway, New York. Sent on application. Readers of the Review are invited to avail themselves of the firm's facilities for information and advice on stocks and bonds. Their inquiries will receive careful attention without obligation to the correspondent. In writing please mention the Bache Review. (290).

FOR INCOME BUILDERS
The booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent independent income may be built through the systematic investing of small sums set aside from current earnings. (318).

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An analysis of the Class A Stock of the Associated Gas & Electric Company, including charts, figures and descriptive information indicating the progress of the properties back of Associated securities. (492).

INDUSTRIAL BANKING—ITS CONTRIBUTION TO MODERN BUSINESS
Every investor should read this important analysis of a branch of the banking industry in which safe and profitable investments are made. Send for booklet 684.

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is the title of a booklet issued by Investors' Syndicate. If you are interested in some day enjoying your money, send today for your complimentary copy giving you sound suggestions as to how you can accumulate wealth. (731).

AMERICAN COMMONWEALTHS POWER CORPORATION
have issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. Current weekly edition and full particulars sent without obligation. (783).

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The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. Ask for 785.

"UNITED FOUNDERS CORPORATION"
is the title of a booklet recently published, containing a complete and up-to-date statement of the history, investment policies and affiliations, etc., of United Founders Corporation. Copies may be obtained by addressing 789.

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

UTILITY PREFERRED STOCKS
An informative and interesting analysis of the advantages offered by Preferred Stocks in general and Utility Preferred Stocks in particular, showing present high yields and other advantages. Address G. L. Ohrstrom & Co., Inc., 38 Wall Street, New York, N. Y., or 824.

"STOCK AND BOND REGISTER"
A pocket size form for the listing of stocks and bonds will be forwarded upon request without charge. Otis & Co., 216 Superior avenue, N. E., Cleveland, Ohio, or 827.

EXPERT COUNSEL IN SECURING GREATEST POSSIBLE PROFITS CONSISTENT WITH SAFETY
This is the primary purpose of the Investment Management Service, a Division of The Magazine of Wall Street. It is a strictly personal investment advisory service especially designed to meet each client's individual requirements. Write for complete information. No obligation. (830A).

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Saving systematically is one reason why so many people are financially successful. You too can get the habit of saving regularly by subscribing to the monthly installment shares of the Serial Building, Loan & Savings Institute, a building and loan association operating under strict state supervision. Send today for descriptive literature. (835).

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if placed in the prepaid certificates of the Safety Savings & Loan Association located in Kansas City, Missouri, secured by first mortgages on improved real estate not exceeding 60% of the appraised valuation. Association has paid and credited to certificate and share holders $7,715,579.48 in earnings since organization 36 years ago. Send for descriptive literature today. (836).

ILLINOIS POWER AND LIGHT CORPORATION
The First and Refunding Mortgage Gold Bonds Series C, 5%, Thirty Years Due December 1st, 1956, are recommended for investment by the well-known investment house of A. G. Becker & Co. Priced to yield about 5.30%, details of this and other attractive bonds will be found in descriptive literature (840). Send today for this information.

"PRODUCTS OF GENERAL FOODS"
Here is the story of a family of food products . . . how 20 of your favorite foods rose from humble beginnings to an honor-place on the tables of America's millions. To read the story told in this booklet is to know why General Foods, makers of these 20 nationally advertised foods and more than 60 others, has achieved its position in the world's largest business. It is to know what business leaders and bankers already know—that the sales and earnings of this company have that stability which comes from a wide diversification of products in a fundamental industry. This booklet will be sent free to any interested person. (841)

"SICK IN BED WITH COMMON STOCKS"
is the title of a new book by R. W. McNeel, one of the country's foremost financial writers and author of "Beating the Stock Market." Bankers, brokers, financial authorities, economists, editors, and writers have told you everything except the one thing you should know—and that is the reason this book has been written. Send today for the special 10-day trial offer to 842.

THE BOUVIER MARKET LETTER
issued by the well-known New York Stock Exchange house, contains many worthy suggestions that will help you choose your investments. In the current number, unbiased opinions of leading financiers, financial editors, economists, statisticians as to the probable happenings in the stock market for the next six months are presented. Write today to be placed on their complimentary list. (843).

"NATIONAL STOCK ANALYSIS"
Knowledge of all the facts regarding the common stocks in which you are interested is most essential today. A true comparison in all details with other stocks in the same industrial classification is shown in the current edition of the National Stock Analysis, a copy of which will be mailed upon request. (844).

"Tips on Books"

BOOK REVIEW SECTION of the MAGAZINE of WALL STREET

FINANCE · ECONOMICS · TRAVEL · FICTION · BIOGRAPHY

DIRECTORY OF DIRECTORS IN THE CITY OF NEW YORK

Directory of Directors Co., New York

AMONG the reference books which seem to be an essential part of the business library, is The Directory of Directors in the City of New York. The 1930-1931 edition, recently issued, contains the names of 43,000 directors and trustees in Greater New York, each of whom is associated with at least one company capitalized at $25,000 or more.

The first Directory appeared in 1898 and contained a list of 13,000 names. The increase may perhaps be attributed to the development of our newer industries such as radio, aviation and motion pictures. Consolidation of smaller units into large companies has also tended to enlarge the personnel of governing directorates.

The number of directors appearing for the first time shows a marked increase this year. There are over 6,500 new names, the largest group of which represent banks and investment houses.

The Directory is easy to use. The names are arranged alphabetically, and each is followed by a list of the companies with which the director is associated.

The appendix contains selected lists of banking and insurance corporations, alphabetically arranged and accompanied in each case by the names of the company's principal officers and all of its directors or trustees.

The Directory is a comprehensive and valuable guide to the larger business interests of New York.

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exchange officials. The public can assist, however, in the detection of such unethical practices as the spread of false rumors by bringing such information to the attention of the proper authorities. In the event that such information is clearly identified with some organized movement of stocks on the exchange, the facts may be sent directly to the Stock Exchange itself. Or if readers send any such information to this publication, it will be placed before the proper consideration of the Stock Exchange officials. This offer should be taken in the light of an invitation to the public to protect itself from the depredations of interests which attempt to destroy values by unethical and questionable methods. It should not be construed as a gesture to take sides, or to restrict any legitimate short or long transactions in any of the security markets.

Railroads in Difficult Economic Phase—There Is a Cure

(Continued from page 155)

the all-rail rate to point of destination. The public gets little or no part of the lower water rates.

The necessary steps should be taken promptly to bring about Federal supervision and regulation of all pipe lines doing an inter-state business, so far as it may be possible to do.

The same prompt and vigorous action should be taken toward securing Federal and State supervision and regulation of the motor bus and truck, inland waterways and aviation companies doing either intra-state or inter-state business.

The I. C. C. rules the steam railroads with a firm, if not iron, hand. If this is right for the railroads certainly it is right for all organized transportation mediums competing with them.

Here is the crux of the solution of this problem of the railroads—*equal supervision, regulation* and *taxation*, which would do most toward establishing fair competition.

Railroad stockholders and the public should rise up in their might, if not in their wrath, and fight to this end. As these words are being written it is gratifying to learn that the people and business interests in several southern states have become so annoyed by traffic conditions on their highways, chiefly because of the motor buses and trucks, that they are taking vigorous steps to secure legislation at the forthcoming session of their state legislatures that would provide for sufficiently big increases in taxes on these vehicles to put many of them out of business.

It has been said that consolidation of the railroads into a limited number of geographical groups, such as already outlined twice by the I. C. C., with strict supervision and regulation by that body, is the only real solution of all railroad problems.

Perhaps it is. Whether this is so or not there are distinct indications that general consolidation will not come soon. Opposition on the part of western politicians is too strong for one thing. Differences between railway executives as to how the properties should be grouped are too great for another, and so are the differences as to prices between owners of small lines and those that control the big systems.

If all these forms of solution of railroad problems fail will government ownership be the outcome? Quite possibly, but God spare that day.

This is the time when present and prospective investors in railroad shares should give special consideration to what the railroads have in real and personal property—their asset value. Present dividend return should not receive primary consideration. If business does not improve there will be revisions of present rates next year.

Broadly speaking, American railroads, individually and collectively, have a wonderful plant with which to handle satisfactorily to the public and economically for themselves all traffic available, in good times as well as bad. Just a few figures to show what these railroad have and what they have done.

1—Over 250,000 miles of track.

2—An investment of at least 26 billion dollars.

3—Carrying more than 3,700 tons of freight one mile for each man, woman and child in the country.

4—Passenger service performed equal to carrying entire population in the United States, 250 miles a year.

5—Combined freight and passenger service require 1,500,000 employees, 54,000 passenger cars, 63,000 locomotives and 2,300,000 freight cars.

6—Taxes paid about $400,000,000 yearly.

7—Payroll $2,750,000,000 yearly.

8—Interest on mortgage debt $600,000,000 a year.

9—Last year $505,000,000 paid in dividends to 825,000 shareholders.

These few figures give an idea of what the railroads have, what they have done and what they can continue to do—if certain vital features of the situation are taken hold of promptly and vigorously and properly adjusted.

Every fair-minded and far-seeing citizen of the United States will agree heartily with the statement of President Willard of the B. & O.:

"I cannot believe that an agency

Financial Notices

Dividends and Interest

Midland United Company

Notice of Dividend

The Board of Directors of the Midland United Company has declared the regular quarterly dividend upon each share outstanding of the Convertible Preferred Stock, Series A, of the Company, consisting of seventy-five (75) cents, in cash, or one-fortieth (1/40) of a share of Common Stock of the Company, at the election of the holder, such election to be made fifteen business days before December 24, 1930.

This dividend is payable on December 24, 1930, to stockholders of record at the close of business on December 1, 1930.

B. P. SHEARON, Secretary.

Midland United Company

Notice of Dividend

The Board of Directors of the Midland United Company has declared the regular quarterly stock dividend of one and one-half per cent (1½%) upon the Common Stock of the Company [being at the rate of three two-hundredths (3-200ths) of a share upon each share outstanding] payable on December 24, 1930, to stockholders of record at the close of business December 1, 1930.

Where less than a whole share would be issuable for such dividend, scrip dividend certificates will be issued for the fractional shares.

B. P. SHEARON, Secretary.

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 97

A QUARTERLY DIVIDEND of One Dollar and Fifty Cents ($1.50) per share on the Capital Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York, N. Y., on Friday, January 2, 1931, to stockholders of record at three o'clock P. M., on Friday, November 28, 1930. The stock transfer books will not be closed for the payment of this dividend.

G. M. THORNTON, Treasurer.

New York, N. Y., November 19, 1930.

THE ELECTRIC STORAGE BATTERY COMPANY

Allegheny Ave. and 19th St.

Philadelphia, November 18, 1930.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock and the Preferred Stock, payable January 2, 1931, to stockholders of record on both these classes of stock at the close of business on December 9th, 1930. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

Dividends and Interest

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DIVIDENDS

ARMOUR AND COMPANY

(ILLINOIS)

ARMOUR AND COMPANY

OF DELAWARE

On November 21st a quarterly dividend of one and three-fourths per cent (1¾%) on the preferred stock of each of the above corporations was declared by the Board of Directors. Payable January 2, 1931, to stockholders of record at the close of business, December 10, 1930.

E. L. LALUMIER,
Secretary

★

GEORGE A. FULLER COMPANY

MADISON AVENUE & 57TH STREET, NEW YORK CITY

At a meeting held today, the directors of this company declared the regular quarterly dividend of one dollar and fifty cents ($1.50) on each share of its Cumulative and Participating Prior Preference Stock, issued and outstanding, payable on January 1st, 1931, to stockholders of record at the close of business on December 10th, 1930, and the regular quarterly dividend of one dollar and fifty cents ($1.50) on each share of its Cumulative and Participating Second Preference Stock, issued and outstanding, payable on January 1st, 1931, to stockholders of record at the close of business on December 10th, 1930.

Dated, New York, November 12th, 1930.

B. M. FELLOWS, Treasurer.

Canadian Pacific Railway Company

DIVIDEND NOTICE

At a meeting of the Board of Directors held today a dividend of two and one-half per cent. on the Ordinary Capital Stock for the quarter ended September 30, 1930, was declared from railway revenues and special income, payable December 31, 1930, to Shareholders of record at three P. M., December 1, 1930.

By order of the Board,

ERNEST ALEXANDER, Secretary.

MONTREAL, November 11, 1930.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

165th Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on January 15, 1931, to stockholders of record at the close of business on December 20, 1930.

H. BLAIR-SMITH, Treasurer.

The American Rolling Mill Company

The Board of Directors on November 3rd, 1930, declared the regular quarterly dividend of fifty cents (50c) per share on the Common Stock of the Company, payable January 15th, 1931, to stockholders of record December 15th, 1930.

W. D. VORHIS, Secretary.

Dividends and Interest

International Petroleum Company, Limited

Notice of Dividend No. 27

NOTICE is hereby given that a dividend of 25c. United States Currency per share has been declared, and that the same will be payable on or after the 15th day of December, 1930, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 27 at the following banks:—

The Royal Bank of Canada,
King and Church Streets Branch,
Toronto 2, Canada.

City Bank Farmers Trust Company,
52 Wall St., New York, N. Y.

The National City Bank of New York,
36, Bishopsgate, London, E. C. 2, England.

OR

The Offices of the International Petroleum Company, Limited,
56 Church Street, Toronto 2, Canada.

The payment to Shareholders of record at the close of business on the 29th day of November, 1930, and whose shares are represented by registered Certificates of the 1929 issue will be made by cheque, mailed from the offices of the Company on the 13th day of December, 1930.

The transfer books will be closed from the 1st day of December to the 15th day of December, 1930, inclusive, and no Bearer Share Warrants will be "split" during that period.

By order of the Board,

J. R. CLARKE,
Secretary.

56 Church Street, Toronto 2, Canada.
18th November, 1930.

AMERICAN WATER WORKS AND ELECTRIC COMPANY

INCORPORATED

(of Delaware)

NOTICE OF DIVIDEND

A regular quarterly dividend of $1.50 per share on the $6 Series, First Preferred Stock of the Company, for the quarter ending December 31, 1930, has been declared payable January 2, 1931, to stockholders of record at the close of business on December 12, 1930.

W. K. DUNBAR, *Secretary.*

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Del., November 17, 1930.

The Board of Directors has this day declared a dividend of $1.00 per share on the outstanding $20.00 par value Common Stock of this Company, payable on December 15, 1930 to stockholders of record at the close of business on November 26, 1930; also dividend of $1.50 a share on the outstanding debenture stock of this Company, payable on January 24, 1931 to stockholders of record at the close of business on January 10, 1931.

CHARLES COPELAND, Secretary.

CRANE CO.

DIVIDEND NOTICE

At a meeting of the Board of Directors November 18th a quarterly dividend of one and three-quarters per cent (1¾%) on the Preferred Stock and one and three-quarters per cent (1¾%) on the Common Stock was declared, payable December 15, 1930, to Stockholders of record December 1, 1930.

H. P. BISHOP,
Secretary.

November 18, 1930.

UNDERWOOD ELLIOTT FISHER COMPANY

A dividend of $1.75 a share on the Preferred stock and a dividend of $1.25 a share on the Common stock of Underwood Elliott Fisher Company will be payable December 31, 1930, to stockholders of record at the close of business December 12, 1930.

G. S. DUNCAN, *Treasurer.*

which has contributed so much toward the development of our country as has the railroad, has reached the point where it can be and should be discarded.

"The situation, however," Mr. Willard adds, "presents not only to legislators but to railway managers and railway employees in every rank and grade of the service, a challenge which calls for the best that they have to give, and I do not doubt that the challenge will be successfully met."

Some one may ask whether, with such a picture—business depression, greatly reduced earnings, ever-increasing but uncontrolled and unregulated competition — any railroad stocks should be bought.

This is not a time for going into detailed advice as to the purchase of securities of any kind. But bear this in mind. When the shares of the largest, strongest and best-managed systems, with the highest asset value, are no longer safe to buy, then it will be high time to think even more than twice before investing in securities of the other leading industries of this country.

No conservative and well-informed advisor could be expected just now to offer a definite list of railroad stocks to buy. It may be suggested, however, that it will be wise to follow closely and look carefully into the position and assets of the kind of properties already mentioned. The opportunity to buy into them on advantageous terms comes only once within a period of several years.

For instance, take the New York Central, with its far-flung system, involving a wide diversification of traffic and big earning subsidiaries that are able to pass along substantial extra dividends in time of need. The same general observation may be made with regard to Pennsylvania.

In the West look at the Atchison with its highly developed physical property, whose lines reach from Chicago to San Francisco, and which always has had in its treasury millions of dollars of cash and government securities, in addition to other valuable assets.

Take a glance at the Union Pacific, which, in addition to being a valuable and efficiently operated railroad, is a virtual investment trust, because of its owning of millions of dollars of securities of other railroads, paying a good return.

Southern Pacific, with Atchison, has virtual control of traffic in at least the lower half of California. Its lines reach well to the north of San Francisco as well, and extend down the west coast of Mexico. Its Texas lines are highly valuable and acquisition of El Paso & Southwestern a few years ago has greatly added to its facilities both west and north of El Paso.

Beginning with these leading systems, prospective investors in railroad securities may safely go down the line and take in those of some roads that are not so large and strong.

But be sure to give first consideration to the properties, and not to the price of the shares or income yield.

Since this article was written the Association of Railway Executives, at their annual meeting, adopted resolutions declaring their intention to continue full maintenance and improvement of properties, and asking all regulative bodies for "a new spirit and attitude" toward the railroads. Supervision and regulation of all competing mediums, such as suggested in this article, are specifically sought.—EDITOR.

Business Perils of the Dying Congress

(*Continued from page 149*)

probably squelched, will be more or less absurd proposals to put the stock and produce exchanges out of short and future selling operations, and schemes for the "reformation" of the Federal Reserve System.

The gravest congressional threat to business is the possibility that a filibuster in the Senate may enforce an extra session of the new congress with its virtual deadlock of parties, its certain divorce from White House influence. The chance of a filibuster succeeding, if undertaken, depends almost entirely on the attitude of the Democrats in the Senate. If they co-operate promptly and energetically in the early disposition of the appropriation bills and the emergency measures the President may propose, the Seventy-first Congress can peacefully expire. Happily, recent utterances of insurgent leaders indicate that they are impressed with the fateful possibilities in this critical time of a legislative deadlock. They, too, will probably in the end join in the truce to political arms.

Spend your winter vacation at Hotel Charlotte Harbor

The Hotel Charlotte Harbor is at Punta Gorda, on the West Coast of Florida, about 100 miles south of Tampa. A wide variety of sports and recreation has been provided for the pleasure of the guests; and within the hotel every modern appointment and convenience, a famous cuisine, and exceptional service will be found. Hotel Charlotte Harbor maintains its own 18 hole golf course, championship tennis courts, fresh water swimming pool, bathing beach, gun traps, guide staff for hunting, and boat livery for fishing parties. In season, quail are plentiful. The tarpon fishing and black bass fishing at Punta Gorda are unexcelled. Hotel Charlotte Harbor is easily accessible over main highways; and the Atlantic Coast Line operates through cars into Punta Gorda. For further information or booklet, address Peter Schutt, Manager, Hotel Charlotte Harbor, Punta Gorda, Florida.